

1 AN ACT in relation to taxes.

2 Be it enacted by the People of the State of Illinois,
3 represented in the General Assembly:

4 Section 5. The Illinois Income Tax Act is amended by
5 changing Sections 201, 202, 203, 209, 502, 506, 905, 911, and
6 1003 as follows:

7 (35 ILCS 5/201) (from Ch. 120, par. 2-201)
8 Sec. 201. Tax Imposed.

9 (a) In general. A tax measured by net income is hereby
10 imposed on every individual, corporation, trust and estate
11 for each taxable year ending after July 31, 1969 on the
12 privilege of earning or receiving income in or as a resident
13 of this State. Such tax shall be in addition to all other
14 occupation or privilege taxes imposed by this State or by any
15 municipal corporation or political subdivision thereof.

16 (b) Rates. The tax imposed by subsection (a) of this
17 Section shall be determined as follows, except as adjusted by
18 subsection (d-1):

19 (1) In the case of an individual, trust or estate,
20 for taxable years ending prior to July 1, 1989, an amount
21 equal to 2 1/2% of the taxpayer's net income for the
22 taxable year.

23 (2) In the case of an individual, trust or estate,
24 for taxable years beginning prior to July 1, 1989 and
25 ending after June 30, 1989, an amount equal to the sum of
26 (i) 2 1/2% of the taxpayer's net income for the period
27 prior to July 1, 1989, as calculated under Section 202.3,
28 and (ii) 3% of the taxpayer's net income for the period
29 after June 30, 1989, as calculated under Section 202.3.

30 (3) In the case of an individual, trust or estate,
31 for taxable years beginning after June 30, 1989, an

1 amount equal to 3% of the taxpayer's net income for the
2 taxable year.

3 (4) (Blank).

4 (5) (Blank).

5 (6) In the case of a corporation, for taxable years
6 ending prior to July 1, 1989, an amount equal to 4% of
7 the taxpayer's net income for the taxable year.

8 (7) In the case of a corporation, for taxable years
9 beginning prior to July 1, 1989 and ending after June 30,
10 1989, an amount equal to the sum of (i) 4% of the
11 taxpayer's net income for the period prior to July 1,
12 1989, as calculated under Section 202.3, and (ii) 4.8% of
13 the taxpayer's net income for the period after June 30,
14 1989, as calculated under Section 202.3.

15 (8) In the case of a corporation, for taxable years
16 beginning after June 30, 1989, an amount equal to 4.8% of
17 the taxpayer's net income for the taxable year.

18 (c) Beginning on July 1, 1979 and thereafter, in
19 addition to such income tax, there is also hereby imposed the
20 Personal Property Tax Replacement Income Tax measured by net
21 income on every corporation (including Subchapter S
22 corporations), partnership and trust, for each taxable year
23 ending after June 30, 1979. Such taxes are imposed on the
24 privilege of earning or receiving income in or as a resident
25 of this State. The Personal Property Tax Replacement Income
26 Tax shall be in addition to the income tax imposed by
27 subsections (a) and (b) of this Section and in addition to
28 all other occupation or privilege taxes imposed by this State
29 or by any municipal corporation or political subdivision
30 thereof.

31 (d) Additional Personal Property Tax Replacement Income
32 Tax Rates. The personal property tax replacement income tax
33 imposed by this subsection and subsection (c) of this Section
34 in the case of a corporation, other than a Subchapter S

1 corporation and except as adjusted by subsection (d-1), shall
2 be an additional amount equal to 2.85% of such taxpayer's net
3 income for the taxable year, except that beginning on January
4 1, 1981, and thereafter, the rate of 2.85% specified in this
5 subsection shall be reduced to 2.5%, and in the case of a
6 partnership, trust or a Subchapter S corporation shall be an
7 additional amount equal to 1.5% of such taxpayer's net income
8 for the taxable year.

9 (d-1) Rate reduction for certain foreign insurers. In
10 the case of a foreign insurer, as defined by Section 35A-5 of
11 the Illinois Insurance Code, whose state or country of
12 domicile imposes on insurers domiciled in Illinois a
13 retaliatory tax (excluding any insurer whose premiums from
14 reinsurance assumed are 50% or more of its total insurance
15 premiums as determined under paragraph (2) of subsection (b)
16 of Section 304, except that for purposes of this
17 determination premiums from reinsurance do not include
18 premiums from inter-affiliate reinsurance arrangements),
19 beginning with taxable years ending on or after December 31,
20 1999, the sum of the rates of tax imposed by subsections (b)
21 and (d) shall be reduced (but not increased) to the rate at
22 which the total amount of tax imposed under this Act, net of
23 all credits allowed under this Act, shall equal (i) the total
24 amount of tax that would be imposed on the foreign insurer's
25 net income allocable to Illinois for the taxable year by such
26 foreign insurer's state or country of domicile if that net
27 income were subject to all income taxes and taxes measured by
28 net income imposed by such foreign insurer's state or country
29 of domicile, net of all credits allowed or (ii) a rate of
30 zero if no such tax is imposed on such income by the foreign
31 insurer's state of domicile. For the purposes of this
32 subsection (d-1), an inter-affiliate includes a mutual
33 insurer under common management.

34 (1) For the purposes of subsection (d-1), in no

1 event shall the sum of the rates of tax imposed by
2 subsections (b) and (d) be reduced below the rate at
3 which the sum of:

4 (A) the total amount of tax imposed on such
5 foreign insurer under this Act for a taxable year,
6 net of all credits allowed under this Act, plus

7 (B) the privilege tax imposed by Section 409
8 of the Illinois Insurance Code, the fire insurance
9 company tax imposed by Section 12 of the Fire
10 Investigation Act, and the fire department taxes
11 imposed under Section 11-10-1 of the Illinois
12 Municipal Code,

13 equals 1.25% of the net taxable premiums written for the
14 taxable year, as described by subsection (1) of Section
15 409 of the Illinois Insurance Code. This paragraph will
16 in no event increase the rates imposed under subsections
17 (b) and (d).

18 (2) Any reduction in the rates of tax imposed by
19 this subsection shall be applied first against the rates
20 imposed by subsection (b) and only after the tax imposed
21 by subsection (a) net of all credits allowed under this
22 Section other than the credit allowed under subsection
23 (i) has been reduced to zero, against the rates imposed
24 by subsection (d).

25 This subsection (d-1) is exempt from the provisions of
26 Section 250.

27 (e) Investment credit. A taxpayer shall be allowed a
28 credit against the Personal Property Tax Replacement Income
29 Tax for investment in qualified property.

30 (1) A taxpayer shall be allowed a credit equal to
31 .5% of the basis of qualified property placed in service
32 during the taxable year, provided such property is placed
33 in service on or after July 1, 1984. There shall be
34 allowed an additional credit equal to .5% of the basis of

1 qualified property placed in service during the taxable
2 year, provided such property is placed in service on or
3 after July 1, 1986, and the taxpayer's base employment
4 within Illinois has increased by 1% or more over the
5 preceding year as determined by the taxpayer's employment
6 records filed with the Illinois Department of Employment
7 Security. Taxpayers who are new to Illinois shall be
8 deemed to have met the 1% growth in base employment for
9 the first year in which they file employment records with
10 the Illinois Department of Employment Security. The
11 provisions added to this Section by Public Act 85-1200
12 (and restored by Public Act 87-895) shall be construed as
13 declaratory of existing law and not as a new enactment.
14 If, in any year, the increase in base employment within
15 Illinois over the preceding year is less than 1%, the
16 additional credit shall be limited to that percentage
17 times a fraction, the numerator of which is .5% and the
18 denominator of which is 1%, but shall not exceed .5%.
19 The investment credit shall not be allowed to the extent
20 that it would reduce a taxpayer's liability in any tax
21 year below zero, nor may any credit for qualified
22 property be allowed for any year other than the year in
23 which the property was placed in service in Illinois. For
24 tax years ending on or after December 31, 1987, and on or
25 before December 31, 1988, the credit shall be allowed for
26 the tax year in which the property is placed in service,
27 or, if the amount of the credit exceeds the tax liability
28 for that year, whether it exceeds the original liability
29 or the liability as later amended, such excess may be
30 carried forward and applied to the tax liability of the 5
31 taxable years following the excess credit years if the
32 taxpayer (i) makes investments which cause the creation
33 of a minimum of 2,000 full-time equivalent jobs in
34 Illinois, (ii) is located in an enterprise zone

1 established pursuant to the Illinois Enterprise Zone Act
2 and (iii) is certified by the Department of Commerce and
3 Community Affairs as complying with the requirements
4 specified in clause (i) and (ii) by July 1, 1986. The
5 Department of Commerce and Community Affairs shall notify
6 the Department of Revenue of all such certifications
7 immediately. For tax years ending after December 31,
8 1988, the credit shall be allowed for the tax year in
9 which the property is placed in service, or, if the
10 amount of the credit exceeds the tax liability for that
11 year, whether it exceeds the original liability or the
12 liability as later amended, such excess may be carried
13 forward and applied to the tax liability of the 5 taxable
14 years following the excess credit years. The credit shall
15 be applied to the earliest year for which there is a
16 liability. If there is credit from more than one tax year
17 that is available to offset a liability, earlier credit
18 shall be applied first.

19 (2) The term "qualified property" means property
20 which:

21 (A) is tangible, whether new or used,
22 including buildings and structural components of
23 buildings and signs that are real property, but not
24 including land or improvements to real property that
25 are not a structural component of a building such as
26 landscaping, sewer lines, local access roads,
27 fencing, parking lots, and other appurtenances;

28 (B) is depreciable pursuant to Section 167 of
29 the Internal Revenue Code, except that "3-year
30 property" as defined in Section 168(c)(2)(A) of that
31 Code is not eligible for the credit provided by this
32 subsection (e);

33 (C) is acquired by purchase as defined in
34 Section 179(d) of the Internal Revenue Code;

1 (D) is used in Illinois by a taxpayer who is
2 primarily engaged in manufacturing, or in mining
3 coal or fluorite, or in retailing; and

4 (E) has not previously been used in Illinois
5 in such a manner and by such a person as would
6 qualify for the credit provided by this subsection
7 (e) or subsection (f).

8 (3) For purposes of this subsection (e),
9 "manufacturing" means the material staging and production
10 of tangible personal property by procedures commonly
11 regarded as manufacturing, processing, fabrication, or
12 assembling which changes some existing material into new
13 shapes, new qualities, or new combinations. For purposes
14 of this subsection (e) the term "mining" shall have the
15 same meaning as the term "mining" in Section 613(c) of
16 the Internal Revenue Code. For purposes of this
17 subsection (e), the term "retailing" means the sale of
18 tangible personal property or services rendered in
19 conjunction with the sale of tangible consumer goods or
20 commodities.

21 (4) The basis of qualified property shall be the
22 basis used to compute the depreciation deduction for
23 federal income tax purposes.

24 (5) If the basis of the property for federal income
25 tax depreciation purposes is increased after it has been
26 placed in service in Illinois by the taxpayer, the amount
27 of such increase shall be deemed property placed in
28 service on the date of such increase in basis.

29 (6) The term "placed in service" shall have the
30 same meaning as under Section 46 of the Internal Revenue
31 Code.

32 (7) If during any taxable year, any property ceases
33 to be qualified property in the hands of the taxpayer
34 within 48 months after being placed in service, or the

1 situs of any qualified property is moved outside Illinois
2 within 48 months after being placed in service, the
3 Personal Property Tax Replacement Income Tax for such
4 taxable year shall be increased. Such increase shall be
5 determined by (i) recomputing the investment credit which
6 would have been allowed for the year in which credit for
7 such property was originally allowed by eliminating such
8 property from such computation and, (ii) subtracting such
9 recomputed credit from the amount of credit previously
10 allowed. For the purposes of this paragraph (7), a
11 reduction of the basis of qualified property resulting
12 from a redetermination of the purchase price shall be
13 deemed a disposition of qualified property to the extent
14 of such reduction.

15 (8) Unless the investment credit is extended by
16 law, the basis of qualified property shall not include
17 costs incurred after December 31, 2003, except for costs
18 incurred pursuant to a binding contract entered into on
19 or before December 31, 2003.

20 (9) Each taxable year ending before December 31,
21 2000, a partnership may elect to pass through to its
22 partners the credits to which the partnership is entitled
23 under this subsection (e) for the taxable year. A
24 partner may use the credit allocated to him or her under
25 this paragraph only against the tax imposed in
26 subsections (c) and (d) of this Section. If the
27 partnership makes that election, those credits shall be
28 allocated among the partners in the partnership in
29 accordance with the rules set forth in Section 704(b) of
30 the Internal Revenue Code, and the rules promulgated
31 under that Section, and the allocated amount of the
32 credits shall be allowed to the partners for that taxable
33 year. The partnership shall make this election on its
34 Personal Property Tax Replacement Income Tax return for

1 that taxable year. The election to pass through the
2 credits shall be irrevocable.

3 For taxable years ending on or after December 31,
4 2000, a partner that qualifies its partnership for a
5 subtraction under subparagraph (I) of paragraph (2) of
6 subsection (d) of Section 203 or a shareholder that
7 qualifies a Subchapter S corporation for a subtraction
8 under subparagraph (S) of paragraph (2) of subsection (b)
9 of Section 203 shall be allowed a credit under this
10 subsection (e) equal to its share of the credit earned
11 under this subsection (e) during the taxable year by the
12 partnership or Subchapter S corporation, determined in
13 accordance with the determination of income and
14 distributive share of income under Sections 702 and 704
15 and Subchapter S of the Internal Revenue Code. This
16 paragraph is exempt from the provisions of Section 250.

17 (f) Investment credit; Enterprise Zone.

18 (1) A taxpayer shall be allowed a credit against
19 the tax imposed by subsections (a) and (b) of this
20 Section for investment in qualified property which is
21 placed in service in an Enterprise Zone created pursuant
22 to the Illinois Enterprise Zone Act. For partners,
23 shareholders of Subchapter S corporations, and owners of
24 limited liability companies, if the liability company is
25 treated as a partnership for purposes of federal and
26 State income taxation, there shall be allowed a credit
27 under this subsection (f) to be determined in accordance
28 with the determination of income and distributive share
29 of income under Sections 702 and 704 and Subchapter S of
30 the Internal Revenue Code. The credit shall be .5% of the
31 basis for such property. The credit shall be available
32 only in the taxable year in which the property is placed
33 in service in the Enterprise Zone and shall not be
34 allowed to the extent that it would reduce a taxpayer's

1 liability for the tax imposed by subsections (a) and (b)
2 of this Section to below zero. For tax years ending on or
3 after December 31, 1985, the credit shall be allowed for
4 the tax year in which the property is placed in service,
5 or, if the amount of the credit exceeds the tax liability
6 for that year, whether it exceeds the original liability
7 or the liability as later amended, such excess may be
8 carried forward and applied to the tax liability of the 5
9 taxable years following the excess credit year. The
10 credit shall be applied to the earliest year for which
11 there is a liability. If there is credit from more than
12 one tax year that is available to offset a liability, the
13 credit accruing first in time shall be applied first.

14 (2) The term qualified property means property
15 which:

16 (A) is tangible, whether new or used,
17 including buildings and structural components of
18 buildings;

19 (B) is depreciable pursuant to Section 167 of
20 the Internal Revenue Code, except that "3-year
21 property" as defined in Section 168(c)(2)(A) of that
22 Code is not eligible for the credit provided by this
23 subsection (f);

24 (C) is acquired by purchase as defined in
25 Section 179(d) of the Internal Revenue Code;

26 (D) is used in the Enterprise Zone by the
27 taxpayer; and

28 (E) has not been previously used in Illinois
29 in such a manner and by such a person as would
30 qualify for the credit provided by this subsection
31 (f) or subsection (e).

32 (3) The basis of qualified property shall be the
33 basis used to compute the depreciation deduction for
34 federal income tax purposes.

1 (4) If the basis of the property for federal income
2 tax depreciation purposes is increased after it has been
3 placed in service in the Enterprise Zone by the taxpayer,
4 the amount of such increase shall be deemed property
5 placed in service on the date of such increase in basis.

6 (5) The term "placed in service" shall have the
7 same meaning as under Section 46 of the Internal Revenue
8 Code.

9 (6) If during any taxable year, any property ceases
10 to be qualified property in the hands of the taxpayer
11 within 48 months after being placed in service, or the
12 situs of any qualified property is moved outside the
13 Enterprise Zone within 48 months after being placed in
14 service, the tax imposed under subsections (a) and (b) of
15 this Section for such taxable year shall be increased.
16 Such increase shall be determined by (i) recomputing the
17 investment credit which would have been allowed for the
18 year in which credit for such property was originally
19 allowed by eliminating such property from such
20 computation, and (ii) subtracting such recomputed credit
21 from the amount of credit previously allowed. For the
22 purposes of this paragraph (6), a reduction of the basis
23 of qualified property resulting from a redetermination of
24 the purchase price shall be deemed a disposition of
25 qualified property to the extent of such reduction.

26 (g) Jobs Tax Credit; Enterprise Zone and Foreign Trade
27 Zone or Sub-Zone.

28 (1) A taxpayer conducting a trade or business in an
29 enterprise zone or a High Impact Business designated by
30 the Department of Commerce and Community Affairs
31 conducting a trade or business in a federally designated
32 Foreign Trade Zone or Sub-Zone shall be allowed a credit
33 against the tax imposed by subsections (a) and (b) of
34 this Section in the amount of \$500 per eligible employee

1 hired to work in the zone during the taxable year.

2 (2) To qualify for the credit:

3 (A) the taxpayer must hire 5 or more eligible
4 employees to work in an enterprise zone or federally
5 designated Foreign Trade Zone or Sub-Zone during the
6 taxable year;

7 (B) the taxpayer's total employment within the
8 enterprise zone or federally designated Foreign
9 Trade Zone or Sub-Zone must increase by 5 or more
10 full-time employees beyond the total employed in
11 that zone at the end of the previous tax year for
12 which a jobs tax credit under this Section was
13 taken, or beyond the total employed by the taxpayer
14 as of December 31, 1985, whichever is later; and

15 (C) the eligible employees must be employed
16 180 consecutive days in order to be deemed hired for
17 purposes of this subsection.

18 (3) An "eligible employee" means an employee who
19 is:

20 (A) Certified by the Department of Commerce
21 and Community Affairs as "eligible for services"
22 pursuant to regulations promulgated in accordance
23 with Title II of the Job Training Partnership Act,
24 Training Services for the Disadvantaged or Title III
25 of the Job Training Partnership Act, Employment and
26 Training Assistance for Dislocated Workers Program.

27 (B) Hired after the enterprise zone or
28 federally designated Foreign Trade Zone or Sub-Zone
29 was designated or the trade or business was located
30 in that zone, whichever is later.

31 (C) Employed in the enterprise zone or Foreign
32 Trade Zone or Sub-Zone. An employee is employed in
33 an enterprise zone or federally designated Foreign
34 Trade Zone or Sub-Zone if his services are rendered

1 there or it is the base of operations for the
2 services performed.

3 (D) A full-time employee working 30 or more
4 hours per week.

5 (4) For tax years ending on or after December 31,
6 1985 and prior to December 31, 1988, the credit shall be
7 allowed for the tax year in which the eligible employees
8 are hired. For tax years ending on or after December 31,
9 1988, the credit shall be allowed for the tax year
10 immediately following the tax year in which the eligible
11 employees are hired. If the amount of the credit exceeds
12 the tax liability for that year, whether it exceeds the
13 original liability or the liability as later amended,
14 such excess may be carried forward and applied to the tax
15 liability of the 5 taxable years following the excess
16 credit year. The credit shall be applied to the earliest
17 year for which there is a liability. If there is credit
18 from more than one tax year that is available to offset a
19 liability, earlier credit shall be applied first.

20 (5) The Department of Revenue shall promulgate such
21 rules and regulations as may be deemed necessary to carry
22 out the purposes of this subsection (g).

23 (6) The credit shall be available for eligible
24 employees hired on or after January 1, 1986.

25 (h) Investment credit; High Impact Business.

26 (1) Subject to subsection (b) of Section 5.5 of the
27 Illinois Enterprise Zone Act, a taxpayer shall be allowed
28 a credit against the tax imposed by subsections (a) and
29 (b) of this Section for investment in qualified property
30 which is placed in service by a Department of Commerce
31 and Community Affairs designated High Impact Business.
32 The credit shall be .5% of the basis for such property.
33 The credit shall not be available until the minimum
34 investments in qualified property set forth in Section

1 5.5 of the Illinois Enterprise Zone Act have been
2 satisfied and shall not be allowed to the extent that it
3 would reduce a taxpayer's liability for the tax imposed
4 by subsections (a) and (b) of this Section to below zero.
5 The credit applicable to such minimum investments shall
6 be taken in the taxable year in which such minimum
7 investments have been completed. The credit for
8 additional investments beyond the minimum investment by a
9 designated high impact business shall be available only
10 in the taxable year in which the property is placed in
11 service and shall not be allowed to the extent that it
12 would reduce a taxpayer's liability for the tax imposed
13 by subsections (a) and (b) of this Section to below zero.
14 For tax years ending on or after December 31, 1987, the
15 credit shall be allowed for the tax year in which the
16 property is placed in service, or, if the amount of the
17 credit exceeds the tax liability for that year, whether
18 it exceeds the original liability or the liability as
19 later amended, such excess may be carried forward and
20 applied to the tax liability of the 5 taxable years
21 following the excess credit year. The credit shall be
22 applied to the earliest year for which there is a
23 liability. If there is credit from more than one tax
24 year that is available to offset a liability, the credit
25 accruing first in time shall be applied first.

26 Changes made in this subdivision (h)(1) by Public
27 Act 88-670 restore changes made by Public Act 85-1182 and
28 reflect existing law.

29 (2) The term qualified property means property
30 which:

31 (A) is tangible, whether new or used,
32 including buildings and structural components of
33 buildings;

34 (B) is depreciable pursuant to Section 167 of

1 the Internal Revenue Code, except that "3-year
2 property" as defined in Section 168(c)(2)(A) of that
3 Code is not eligible for the credit provided by this
4 subsection (h);

5 (C) is acquired by purchase as defined in
6 Section 179(d) of the Internal Revenue Code; and

7 (D) is not eligible for the Enterprise Zone
8 Investment Credit provided by subsection (f) of this
9 Section.

10 (3) The basis of qualified property shall be the
11 basis used to compute the depreciation deduction for
12 federal income tax purposes.

13 (4) If the basis of the property for federal income
14 tax depreciation purposes is increased after it has been
15 placed in service in a federally designated Foreign Trade
16 Zone or Sub-Zone located in Illinois by the taxpayer, the
17 amount of such increase shall be deemed property placed
18 in service on the date of such increase in basis.

19 (5) The term "placed in service" shall have the
20 same meaning as under Section 46 of the Internal Revenue
21 Code.

22 (6) If during any taxable year ending on or before
23 December 31, 1996, any property ceases to be qualified
24 property in the hands of the taxpayer within 48 months
25 after being placed in service, or the situs of any
26 qualified property is moved outside Illinois within 48
27 months after being placed in service, the tax imposed
28 under subsections (a) and (b) of this Section for such
29 taxable year shall be increased. Such increase shall be
30 determined by (i) recomputing the investment credit which
31 would have been allowed for the year in which credit for
32 such property was originally allowed by eliminating such
33 property from such computation, and (ii) subtracting such
34 recomputed credit from the amount of credit previously

1 allowed. For the purposes of this paragraph (6), a
2 reduction of the basis of qualified property resulting
3 from a redetermination of the purchase price shall be
4 deemed a disposition of qualified property to the extent
5 of such reduction.

6 (7) Beginning with tax years ending after December
7 31, 1996, if a taxpayer qualifies for the credit under
8 this subsection (h) and thereby is granted a tax
9 abatement and the taxpayer relocates its entire facility
10 in violation of the explicit terms and length of the
11 contract under Section 18-183 of the Property Tax Code,
12 the tax imposed under subsections (a) and (b) of this
13 Section shall be increased for the taxable year in which
14 the taxpayer relocated its facility by an amount equal to
15 the amount of credit received by the taxpayer under this
16 subsection (h).

17 (i) A credit shall be allowed against the tax imposed by
18 subsections (a) and (b) of this Section for the tax imposed
19 by subsections (c) and (d) of this Section. This credit
20 shall be computed by multiplying the tax imposed by
21 subsections (c) and (d) of this Section by a fraction, the
22 numerator of which is base income allocable to Illinois and
23 the denominator of which is Illinois base income, and further
24 multiplying the product by the tax rate imposed by
25 subsections (a) and (b) of this Section.

26 Any credit earned on or after December 31, 1986 under
27 this subsection which is unused in the year the credit is
28 computed because it exceeds the tax liability imposed by
29 subsections (a) and (b) for that year (whether it exceeds the
30 original liability or the liability as later amended) may be
31 carried forward and applied to the tax liability imposed by
32 subsections (a) and (b) of the 5 taxable years following the
33 excess credit year. This credit shall be applied first to
34 the earliest year for which there is a liability. If there

1 is a credit under this subsection from more than one tax year
2 that is available to offset a liability the earliest credit
3 arising under this subsection shall be applied first.

4 If, during any taxable year ending on or after December
5 31, 1986, the tax imposed by subsections (c) and (d) of this
6 Section for which a taxpayer has claimed a credit under this
7 subsection (i) is reduced, the amount of credit for such tax
8 shall also be reduced. Such reduction shall be determined by
9 recomputing the credit to take into account the reduced tax
10 imposed by subsection (c) and (d). If any portion of the
11 reduced amount of credit has been carried to a different
12 taxable year, an amended return shall be filed for such
13 taxable year to reduce the amount of credit claimed.

14 (j) Training expense credit. Beginning with tax years
15 ending on or after December 31, 1986, a taxpayer shall be
16 allowed a credit against the tax imposed by subsection (a)
17 and (b) under this Section for all amounts paid or accrued,
18 on behalf of all persons employed by the taxpayer in Illinois
19 or Illinois residents employed outside of Illinois by a
20 taxpayer, for educational or vocational training in
21 semi-technical or technical fields or semi-skilled or skilled
22 fields, which were deducted from gross income in the
23 computation of taxable income. The credit against the tax
24 imposed by subsections (a) and (b) shall be 1.6% of such
25 training expenses. For partners, shareholders of subchapter
26 S corporations, and owners of limited liability companies, if
27 the liability company is treated as a partnership for
28 purposes of federal and State income taxation, there shall be
29 allowed a credit under this subsection (j) to be determined
30 in accordance with the determination of income and
31 distributive share of income under Sections 702 and 704 and
32 subchapter S of the Internal Revenue Code.

33 Any credit allowed under this subsection which is unused
34 in the year the credit is earned may be carried forward to

1 each of the 5 taxable years following the year for which the
2 credit is first computed until it is used. This credit shall
3 be applied first to the earliest year for which there is a
4 liability. If there is a credit under this subsection from
5 more than one tax year that is available to offset a
6 liability the earliest credit arising under this subsection
7 shall be applied first.

8 (k) Research and development credit.

9 Beginning with tax years ending after July 1, 1990, a
10 taxpayer shall be allowed a credit against the tax imposed by
11 subsections (a) and (b) of this Section for increasing
12 research activities in this State. The credit allowed
13 against the tax imposed by subsections (a) and (b) shall be
14 equal to 6 1/2% of the qualifying expenditures for increasing
15 research activities in this State. For partners, shareholders
16 of subchapter S corporations, and owners of limited liability
17 companies, if the liability company is treated as a
18 partnership for purposes of federal and State income
19 taxation, there shall be allowed a credit under this
20 subsection to be determined in accordance with the
21 determination of income and distributive share of income
22 under Sections 702 and 704 and subchapter S of the Internal
23 Revenue Code.

24 For purposes of this subsection, "qualifying
25 expenditures" means the qualifying expenditures as defined
26 for the federal credit for increasing research activities
27 which would be allowable under Section 41 of the Internal
28 Revenue Code and which are conducted in this State,
29 "qualifying expenditures for increasing research activities
30 in this State" means the excess of qualifying expenditures
31 for the taxable year in which incurred over qualifying
32 expenditures for the base period, "qualifying expenditures
33 for the base period" means the average of the qualifying
34 expenditures for each year in the base period, and "base

1 period" means the 3 taxable years immediately preceding the
2 taxable year for which the determination is being made.

3 Any credit in excess of the tax liability for the taxable
4 year may be carried forward. A taxpayer may elect to have the
5 unused credit shown on its final completed return carried
6 over as a credit against the tax liability for the following
7 5 taxable years or until it has been fully used, whichever
8 occurs first.

9 If an unused credit is carried forward to a given year
10 from 2 or more earlier years, that credit arising in the
11 earliest year will be applied first against the tax liability
12 for the given year. If a tax liability for the given year
13 still remains, the credit from the next earliest year will
14 then be applied, and so on, until all credits have been used
15 or no tax liability for the given year remains. Any
16 remaining unused credit or credits then will be carried
17 forward to the next following year in which a tax liability
18 is incurred, except that no credit can be carried forward to
19 a year which is more than 5 years after the year in which the
20 expense for which the credit is given was incurred.

21 Unless extended by law, the credit shall not include
22 costs incurred after December 31, 2004, except for costs
23 incurred pursuant to a binding contract entered into on or
24 before December 31, 2004.

25 No inference shall be drawn from this amendatory Act of
26 the 91st General Assembly in construing this Section for
27 taxable years beginning before January 1, 1999.

28 (1) Environmental Remediation Tax Credit.

29 (i) For tax years ending after December 31, 1997
30 and on or before December 31, 2001, a taxpayer shall be
31 allowed a credit against the tax imposed by subsections
32 (a) and (b) of this Section for certain amounts paid for
33 unreimbursed eligible remediation costs, as specified in
34 this subsection. For purposes of this Section,

1 "unreimbursed eligible remediation costs" means costs
2 approved by the Illinois Environmental Protection Agency
3 ("Agency") under Section 58.14 of the Environmental
4 Protection Act that were paid in performing environmental
5 remediation at a site for which a No Further Remediation
6 Letter was issued by the Agency and recorded under
7 Section 58.10 of the Environmental Protection Act. The
8 credit must be claimed for the taxable year in which
9 Agency approval of the eligible remediation costs is
10 granted. The credit is not available to any taxpayer if
11 the taxpayer or any related party caused or contributed
12 to, in any material respect, a release of regulated
13 substances on, in, or under the site that was identified
14 and addressed by the remedial action pursuant to the Site
15 Remediation Program of the Environmental Protection Act.
16 After the Pollution Control Board rules are adopted
17 pursuant to the Illinois Administrative Procedure Act for
18 the administration and enforcement of Section 58.9 of the
19 Environmental Protection Act, determinations as to credit
20 availability for purposes of this Section shall be made
21 consistent with those rules. For purposes of this
22 Section, "taxpayer" includes a person whose tax
23 attributes the taxpayer has succeeded to under Section
24 381 of the Internal Revenue Code and "related party"
25 includes the persons disallowed a deduction for losses by
26 paragraphs (b), (c), and (f)(1) of Section 267 of the
27 Internal Revenue Code by virtue of being a related
28 taxpayer, as well as any of its partners. The credit
29 allowed against the tax imposed by subsections (a) and
30 (b) shall be equal to 25% of the unreimbursed eligible
31 remediation costs in excess of \$100,000 per site, except
32 that the \$100,000 threshold shall not apply to any site
33 contained in an enterprise zone as determined by the
34 Department of Commerce and Community Affairs. The total

1 credit allowed shall not exceed \$40,000 per year with a
2 maximum total of \$150,000 per site. For partners and
3 shareholders of subchapter S corporations, there shall be
4 allowed a credit under this subsection to be determined
5 in accordance with the determination of income and
6 distributive share of income under Sections 702 and 704
7 and of subchapter S of the Internal Revenue Code.

8 (ii) A credit allowed under this subsection that is
9 unused in the year the credit is earned may be carried
10 forward to each of the 5 taxable years following the year
11 for which the credit is first earned until it is used.
12 The term "unused credit" does not include any amounts of
13 unreimbursed eligible remediation costs in excess of the
14 maximum credit per site authorized under paragraph (i).
15 This credit shall be applied first to the earliest year
16 for which there is a liability. If there is a credit
17 under this subsection from more than one tax year that is
18 available to offset a liability, the earliest credit
19 arising under this subsection shall be applied first. A
20 credit allowed under this subsection may be sold to a
21 buyer as part of a sale of all or part of the remediation
22 site for which the credit was granted. The purchaser of
23 a remediation site and the tax credit shall succeed to
24 the unused credit and remaining carry-forward period of
25 the seller. To perfect the transfer, the assignor shall
26 record the transfer in the chain of title for the site
27 and provide written notice to the Director of the
28 Illinois Department of Revenue of the assignor's intent
29 to sell the remediation site and the amount of the tax
30 credit to be transferred as a portion of the sale. In no
31 event may a credit be transferred to any taxpayer if the
32 taxpayer or a related party would not be eligible under
33 the provisions of subsection (i).

34 (iii) For purposes of this Section, the term "site"

1 shall have the same meaning as under Section 58.2 of the
2 Environmental Protection Act.

3 (m) Education expense credit.

4 Beginning with tax years ending after December 31, 1999,
5 a taxpayer who is the custodian of one or more qualifying
6 pupils shall be allowed a credit against the tax imposed by
7 subsections (a) and (b) of this Section for qualified
8 education expenses incurred on behalf of the qualifying
9 pupils. The credit shall be equal to 25% of qualified
10 education expenses, but in no event may the total credit
11 under this subsection ~~Section~~ claimed by a family that is the
12 custodian of qualifying pupils exceed \$500. In no event shall
13 a credit under this subsection reduce the taxpayer's
14 liability under this Act to less than zero. This subsection
15 is exempt from the provisions of Section 250 of this Act.

16 For purposes of this subsection;

17 "Qualifying pupils" means individuals who (i) are
18 residents of the State of Illinois, (ii) are under the age of
19 21 at the close of the school year for which a credit is
20 sought, and (iii) during the school year for which a credit
21 is sought were full-time pupils enrolled in a kindergarten
22 through twelfth grade education program at any school, as
23 defined in this subsection.

24 "Qualified education expense" means the amount incurred
25 on behalf of a qualifying pupil in excess of \$250 for
26 tuition, book fees, and lab fees at the school in which the
27 pupil is enrolled during the regular school year.

28 "School" means any public or nonpublic elementary or
29 secondary school in Illinois that is in compliance with Title
30 VI of the Civil Rights Act of 1964 and attendance at which
31 satisfies the requirements of Section 26-1 of the School
32 Code, except that nothing shall be construed to require a
33 child to attend any particular public or nonpublic school to
34 qualify for the credit under this Section.

1 "Custodian" means, with respect to qualifying pupils, an
 2 Illinois resident who is a parent, the parents, a legal
 3 guardian, or the legal guardians of the qualifying pupils.
 4 (Source: P.A. 90-123, eff. 7-21-97; 90-458, eff. 8-17-97;
 5 90-605, eff. 6-30-98; 90-655, eff. 7-30-98; 90-717, eff.
 6 8-7-98; 90-792, eff. 1-1-99; 91-9, eff. 1-1-00; 91-357, eff.
 7 7-29-99; 91-643, eff. 8-20-99; 91-644, eff. 8-20-99; 91-860,
 8 eff. 6-22-00; 91-913, eff. 1-1-01; revised 10-24-00.)

9 (35 ILCS 5/202) (from Ch. 120, par. 2-202)

10 Sec. 202. Net Income Defined. In general. For purposes of
 11 this Act, a taxpayer's net income for a taxable year shall be
 12 that portion of his base income for such year ~~except--money~~
 13 ~~and--other--benefits,--other--than--salary,--received--by--a--driver~~
 14 ~~in--a--ridesharing--arrangement--using--a--motor--vehicle,~~ which is
 15 allocable to this State under the provisions of Article 3,
 16 less the standard exemption allowed by Section 204 and the
 17 deduction allowed by Section 207.

18 (Source: P.A. 85-731.)

19 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

20 Sec. 203. Base income defined.

21 (a) Individuals.

22 (1) In general. In the case of an individual, base
 23 income means an amount equal to the taxpayer's adjusted
 24 gross income for the taxable year as modified by
 25 paragraph (2).

26 (2) Modifications. The adjusted gross income
 27 referred to in paragraph (1) shall be modified by adding
 28 thereto the sum of the following amounts:

29 (A) An amount equal to all amounts paid or
 30 accrued to the taxpayer as interest or dividends
 31 during the taxable year to the extent excluded from
 32 gross income in the computation of adjusted gross

1 income, except stock dividends of qualified public
2 utilities described in Section 305(e) of the
3 Internal Revenue Code;

4 (B) An amount equal to the amount of tax
5 imposed by this Act to the extent deducted from
6 gross income in the computation of adjusted gross
7 income for the taxable year;

8 (C) An amount equal to the amount received
9 during the taxable year as a recovery or refund of
10 real property taxes paid with respect to the
11 taxpayer's principal residence under the Revenue Act
12 of 1939 and for which a deduction was previously
13 taken under subparagraph (L) of this paragraph (2)
14 prior to July 1, 1991, the retrospective application
15 date of Article 4 of Public Act 87-17. In the case
16 of multi-unit or multi-use structures and farm
17 dwellings, the taxes on the taxpayer's principal
18 residence shall be that portion of the total taxes
19 for the entire property which is attributable to
20 such principal residence;

21 (D) An amount equal to the amount of the
22 capital gain deduction allowable under the Internal
23 Revenue Code, to the extent deducted from gross
24 income in the computation of adjusted gross income;

25 (D-5) An amount, to the extent not included in
26 adjusted gross income, equal to the amount of money
27 withdrawn by the taxpayer in the taxable year from a
28 medical care savings account and the interest earned
29 on the account in the taxable year of a withdrawal
30 pursuant to subsection (b) of Section 20 of the
31 Medical Care Savings Account Act or subsection (b)
32 of Section 20 of the Medical Care Savings Account
33 Act of 2000; and

34 (D-10) For taxable years ending after December

1 31, 1997, an amount equal to any eligible
2 remediation costs that the individual deducted in
3 computing adjusted gross income and for which the
4 individual claims a credit under subsection (1) of
5 Section 201;

6 and by deducting from the total so obtained the sum of
7 the following amounts:

8 (E) Any amount included in such total in
9 respect of any compensation (including but not
10 limited to any compensation paid or accrued to a
11 serviceman while a prisoner of war or missing in
12 action) paid to a resident by reason of being on
13 active duty in the Armed Forces of the United States
14 and in respect of any compensation paid or accrued
15 to a resident who as a governmental employee was a
16 prisoner of war or missing in action, and in respect
17 of any compensation paid to a resident in 1971 or
18 thereafter for annual training performed pursuant to
19 Sections 502 and 503, Title 32, United States Code
20 as a member of the Illinois National Guard;

21 (F) An amount equal to all amounts included in
22 such total pursuant to the provisions of Sections
23 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and
24 408 of the Internal Revenue Code, or included in
25 such total as distributions under the provisions of
26 any retirement or disability plan for employees of
27 any governmental agency or unit, or retirement
28 payments to retired partners, which payments are
29 excluded in computing net earnings from self
30 employment by Section 1402 of the Internal Revenue
31 Code and regulations adopted pursuant thereto;

32 (G) The valuation limitation amount;

33 (H) An amount equal to the amount of any tax
34 imposed by this Act which was refunded to the

1 taxpayer and included in such total for the taxable
2 year;

3 (I) An amount equal to all amounts included in
4 such total pursuant to the provisions of Section 111
5 of the Internal Revenue Code as a recovery of items
6 previously deducted from adjusted gross income in
7 the computation of taxable income;

8 (J) An amount equal to those dividends
9 included in such total which were paid by a
10 corporation which conducts business operations in an
11 Enterprise Zone or zones created under the Illinois
12 Enterprise Zone Act, and conducts substantially all
13 of its operations in an Enterprise Zone or zones;

14 (K) An amount equal to those dividends
15 included in such total that were paid by a
16 corporation that conducts business operations in a
17 federally designated Foreign Trade Zone or Sub-Zone
18 and that is designated a High Impact Business
19 located in Illinois; provided that dividends
20 eligible for the deduction provided in subparagraph
21 (J) of paragraph (2) of this subsection shall not be
22 eligible for the deduction provided under this
23 subparagraph (K);

24 (L) For taxable years ending after December
25 31, 1983, an amount equal to all social security
26 benefits and railroad retirement benefits included
27 in such total pursuant to Sections 72(r) and 86 of
28 the Internal Revenue Code;

29 (M) With the exception of any amounts
30 subtracted under subparagraph (N), an amount equal
31 to the sum of all amounts disallowed as deductions
32 by (i) Sections 171(a) (2), and 265(2) of the
33 Internal Revenue Code of 1954, as now or hereafter
34 amended, and all amounts of expenses allocable to

1 interest and disallowed as deductions by Section
2 265(1) of the Internal Revenue Code of 1954, as now
3 or hereafter amended; and (ii) for taxable years
4 ending on or after August 13, 1999, Sections
5 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the
6 Internal Revenue Code; the provisions of this
7 subparagraph are exempt from the provisions of
8 Section 250;

9 (N) An amount equal to all amounts included in
10 such total which are exempt from taxation by this
11 State either by reason of its statutes or
12 Constitution or by reason of the Constitution,
13 treaties or statutes of the United States; provided
14 that, in the case of any statute of this State that
15 exempts income derived from bonds or other
16 obligations from the tax imposed under this Act, the
17 amount exempted shall be the interest net of bond
18 premium amortization;

19 (O) An amount equal to any contribution made
20 to a job training project established pursuant to
21 the Tax Increment Allocation Redevelopment Act;

22 (P) An amount equal to the amount of the
23 deduction used to compute the federal income tax
24 credit for restoration of substantial amounts held
25 under claim of right for the taxable year pursuant
26 to Section 1341 of the Internal Revenue Code of
27 1986;

28 (Q) An amount equal to any amounts included in
29 such total, received by the taxpayer as an
30 acceleration in the payment of life, endowment or
31 annuity benefits in advance of the time they would
32 otherwise be payable as an indemnity for a terminal
33 illness;

34 (R) An amount equal to the amount of any

1 federal or State bonus paid to veterans of the
2 Persian Gulf War;

3 (S) An amount, to the extent included in
4 adjusted gross income, equal to the amount of a
5 contribution made in the taxable year on behalf of
6 the taxpayer to a medical care savings account
7 established under the Medical Care Savings Account
8 Act or the Medical Care Savings Account Act of 2000
9 to the extent the contribution is accepted by the
10 account administrator as provided in that Act;

11 (T) An amount, to the extent included in
12 adjusted gross income, equal to the amount of
13 interest earned in the taxable year on a medical
14 care savings account established under the Medical
15 Care Savings Account Act or the Medical Care Savings
16 Account Act of 2000 on behalf of the taxpayer, other
17 than interest added pursuant to item (D-5) of this
18 paragraph (2);

19 (U) For one taxable year beginning on or after
20 January 1, 1994, an amount equal to the total amount
21 of tax imposed and paid under subsections (a) and
22 (b) of Section 201 of this Act on grant amounts
23 received by the taxpayer under the Nursing Home
24 Grant Assistance Act during the taxpayer's taxable
25 years 1992 and 1993;

26 (V) Beginning with tax years ending on or
27 after December 31, 1995 and ending with tax years
28 ending on or before December 31, 2004, an amount
29 equal to the amount paid by a taxpayer who is a
30 self-employed taxpayer, a partner of a partnership,
31 or a shareholder in a Subchapter S corporation for
32 health insurance or long-term care insurance for
33 that taxpayer or that taxpayer's spouse or
34 dependents, to the extent that the amount paid for

1 that health insurance or long-term care insurance
2 may be deducted under Section 213 of the Internal
3 Revenue Code of 1986, has not been deducted on the
4 federal income tax return of the taxpayer, and does
5 not exceed the taxable income attributable to that
6 taxpayer's income, self-employment income, or
7 Subchapter S corporation income; except that no
8 deduction shall be allowed under this item (V) if
9 the taxpayer is eligible to participate in any
10 health insurance or long-term care insurance plan of
11 an employer of the taxpayer or the taxpayer's
12 spouse. The amount of the health insurance and
13 long-term care insurance subtracted under this item
14 (V) shall be determined by multiplying total health
15 insurance and long-term care insurance premiums paid
16 by the taxpayer times a number that represents the
17 fractional percentage of eligible medical expenses
18 under Section 213 of the Internal Revenue Code of
19 1986 not actually deducted on the taxpayer's federal
20 income tax return;

21 (W) For taxable years beginning on or after
22 January 1, 1998, all amounts included in the
23 taxpayer's federal gross income in the taxable year
24 from amounts converted from a regular IRA to a Roth
25 IRA. This paragraph is exempt from the provisions of
26 Section 250; and

27 (X) For taxable year 1999 and thereafter, an
28 amount equal to the amount of any (i) distributions,
29 to the extent includible in gross income for federal
30 income tax purposes, made to the taxpayer because of
31 his or her status as a victim of persecution for
32 racial or religious reasons by Nazi Germany or any
33 other Axis regime or as an heir of the victim and
34 (ii) items of income, to the extent includible in

1 gross income for federal income tax purposes,
2 attributable to, derived from or in any way related
3 to assets stolen from, hidden from, or otherwise
4 lost to a victim of persecution for racial or
5 religious reasons by Nazi Germany or any other Axis
6 regime immediately prior to, during, and immediately
7 after World War II, including, but not limited to,
8 interest on the proceeds receivable as insurance
9 under policies issued to a victim of persecution for
10 racial or religious reasons by Nazi Germany or any
11 other Axis regime by European insurance companies
12 immediately prior to and during World War II;
13 provided, however, this subtraction from federal
14 adjusted gross income does not apply to assets
15 acquired with such assets or with the proceeds from
16 the sale of such assets; provided, further, this
17 paragraph shall only apply to a taxpayer who was the
18 first recipient of such assets after their recovery
19 and who is a victim of persecution for racial or
20 religious reasons by Nazi Germany or any other Axis
21 regime or as an heir of the victim. The amount of
22 and the eligibility for any public assistance,
23 benefit, or similar entitlement is not affected by
24 the inclusion of items (i) and (ii) of this
25 paragraph in gross income for federal income tax
26 purposes. This paragraph is exempt from the
27 provisions of Section 250; and

28 (Y) Any amount included in adjusted gross
29 income, other than salary, received by a driver in a
30 ridesharing arrangement using a motor vehicle.

31 (b) Corporations.

32 (1) In general. In the case of a corporation, base
33 income means an amount equal to the taxpayer's taxable
34 income for the taxable year as modified by paragraph (2).

1 (2) Modifications. The taxable income referred to
2 in paragraph (1) shall be modified by adding thereto the
3 sum of the following amounts:

4 (A) An amount equal to all amounts paid or
5 accrued to the taxpayer as interest and all
6 distributions received from regulated investment
7 companies during the taxable year to the extent
8 excluded from gross income in the computation of
9 taxable income;

10 (B) An amount equal to the amount of tax
11 imposed by this Act to the extent deducted from
12 gross income in the computation of taxable income
13 for the taxable year;

14 (C) In the case of a regulated investment
15 company, an amount equal to the excess of (i) the
16 net long-term capital gain for the taxable year,
17 over (ii) the amount of the capital gain dividends
18 designated as such in accordance with Section
19 852(b)(3)(C) of the Internal Revenue Code and any
20 amount designated under Section 852(b)(3)(D) of the
21 Internal Revenue Code, attributable to the taxable
22 year (this amendatory Act of 1995 (Public Act 89-89)
23 is declarative of existing law and is not a new
24 enactment);

25 (D) The amount of any net operating loss
26 deduction taken in arriving at taxable income, other
27 than a net operating loss carried forward from a
28 taxable year ending prior to December 31, 1986;

29 (E) For taxable years in which a net operating
30 loss carryback or carryforward from a taxable year
31 ending prior to December 31, 1986 is an element of
32 taxable income under paragraph (1) of subsection (e)
33 or subparagraph (E) of paragraph (2) of subsection
34 (e), the amount by which addition modifications

1 other than those provided by this subparagraph (E)
2 exceeded subtraction modifications in such earlier
3 taxable year, with the following limitations applied
4 in the order that they are listed:

5 (i) the addition modification relating to
6 the net operating loss carried back or forward
7 to the taxable year from any taxable year
8 ending prior to December 31, 1986 shall be
9 reduced by the amount of addition modification
10 under this subparagraph (E) which related to
11 that net operating loss and which was taken
12 into account in calculating the base income of
13 an earlier taxable year, and

14 (ii) the addition modification relating
15 to the net operating loss carried back or
16 forward to the taxable year from any taxable
17 year ending prior to December 31, 1986 shall
18 not exceed the amount of such carryback or
19 carryforward;

20 For taxable years in which there is a net
21 operating loss carryback or carryforward from more
22 than one other taxable year ending prior to December
23 31, 1986, the addition modification provided in this
24 subparagraph (E) shall be the sum of the amounts
25 computed independently under the preceding
26 provisions of this subparagraph (E) for each such
27 taxable year; and

28 (E-5) For taxable years ending after December
29 31, 1997, an amount equal to any eligible
30 remediation costs that the corporation deducted in
31 computing adjusted gross income and for which the
32 corporation claims a credit under subsection (l) of
33 Section 201;

34 and by deducting from the total so obtained the sum of

1 the following amounts:

2 (F) An amount equal to the amount of any tax
3 imposed by this Act which was refunded to the
4 taxpayer and included in such total for the taxable
5 year;

6 (G) An amount equal to any amount included in
7 such total under Section 78 of the Internal Revenue
8 Code;

9 (H) In the case of a regulated investment
10 company, an amount equal to the amount of exempt
11 interest dividends as defined in subsection (b) (5)
12 of Section 852 of the Internal Revenue Code, paid to
13 shareholders for the taxable year;

14 (I) With the exception of any amounts
15 subtracted under subparagraph (J), an amount equal
16 to the sum of all amounts disallowed as deductions
17 by (i) Sections 171(a) (2), and 265(a)(2) and
18 amounts disallowed as interest expense by Section
19 291(a)(3) of the Internal Revenue Code, as now or
20 hereafter amended, and all amounts of expenses
21 allocable to interest and disallowed as deductions
22 by Section 265(a)(1) of the Internal Revenue Code,
23 as now or hereafter amended; and (ii) for taxable
24 years ending on or after August 13, 1999, Sections
25 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i)
26 of the Internal Revenue Code; the provisions of this
27 subparagraph are exempt from the provisions of
28 Section 250;

29 (J) An amount equal to all amounts included in
30 such total which are exempt from taxation by this
31 State either by reason of its statutes or
32 Constitution or by reason of the Constitution,
33 treaties or statutes of the United States; provided
34 that, in the case of any statute of this State that

1 exempts income derived from bonds or other
2 obligations from the tax imposed under this Act, the
3 amount exempted shall be the interest net of bond
4 premium amortization;

5 (K) An amount equal to those dividends
6 included in such total which were paid by a
7 corporation which conducts business operations in an
8 Enterprise Zone or zones created under the Illinois
9 Enterprise Zone Act and conducts substantially all
10 of its operations in an Enterprise Zone or zones;

11 (L) An amount equal to those dividends
12 included in such total that were paid by a
13 corporation that conducts business operations in a
14 federally designated Foreign Trade Zone or Sub-Zone
15 and that is designated a High Impact Business
16 located in Illinois; provided that dividends
17 eligible for the deduction provided in subparagraph
18 (K) of paragraph 2 of this subsection shall not be
19 eligible for the deduction provided under this
20 subparagraph (L);

21 (M) For any taxpayer that is a financial
22 organization within the meaning of Section 304(c) of
23 this Act, an amount included in such total as
24 interest income from a loan or loans made by such
25 taxpayer to a borrower, to the extent that such a
26 loan is secured by property which is eligible for
27 the Enterprise Zone Investment Credit. To determine
28 the portion of a loan or loans that is secured by
29 property eligible for a Section 201(f) ~~201(h)~~
30 investment credit to the borrower, the entire
31 principal amount of the loan or loans between the
32 taxpayer and the borrower should be divided into the
33 basis of the Section 201(f) ~~201(h)~~ investment credit
34 property which secures the loan or loans, using for

1 this purpose the original basis of such property on
2 the date that it was placed in service in the
3 Enterprise Zone. The subtraction modification
4 available to taxpayer in any year under this
5 subsection shall be that portion of the total
6 interest paid by the borrower with respect to such
7 loan attributable to the eligible property as
8 calculated under the previous sentence;

9 (M-1) For any taxpayer that is a financial
10 organization within the meaning of Section 304(c) of
11 this Act, an amount included in such total as
12 interest income from a loan or loans made by such
13 taxpayer to a borrower, to the extent that such a
14 loan is secured by property which is eligible for
15 the High Impact Business Investment Credit. To
16 determine the portion of a loan or loans that is
17 secured by property eligible for a Section 201(h)
18 ~~201(i)~~ investment credit to the borrower, the entire
19 principal amount of the loan or loans between the
20 taxpayer and the borrower should be divided into the
21 basis of the Section 201(h) ~~201(i)~~ investment credit
22 property which secures the loan or loans, using for
23 this purpose the original basis of such property on
24 the date that it was placed in service in a
25 federally designated Foreign Trade Zone or Sub-Zone
26 located in Illinois. No taxpayer that is eligible
27 for the deduction provided in subparagraph (M) of
28 paragraph (2) of this subsection shall be eligible
29 for the deduction provided under this subparagraph
30 (M-1). The subtraction modification available to
31 taxpayers in any year under this subsection shall be
32 that portion of the total interest paid by the
33 borrower with respect to such loan attributable to
34 the eligible property as calculated under the

1 previous sentence;

2 (N) Two times any contribution made during the
3 taxable year to a designated zone organization to
4 the extent that the contribution (i) qualifies as a
5 charitable contribution under subsection (c) of
6 Section 170 of the Internal Revenue Code and (ii)
7 must, by its terms, be used for a project approved
8 by the Department of Commerce and Community Affairs
9 under Section 11 of the Illinois Enterprise Zone
10 Act;

11 (O) An amount equal to: (i) 85% for taxable
12 years ending on or before December 31, 1992, or, a
13 percentage equal to the percentage allowable under
14 Section 243(a)(1) of the Internal Revenue Code of
15 1986 for taxable years ending after December 31,
16 1992, of the amount by which dividends included in
17 taxable income and received from a corporation that
18 is not created or organized under the laws of the
19 United States or any state or political subdivision
20 thereof, including, for taxable years ending on or
21 after December 31, 1988, dividends received or
22 deemed received or paid or deemed paid under
23 Sections 951 through 964 of the Internal Revenue
24 Code, exceed the amount of the modification provided
25 under subparagraph (G) of paragraph (2) of this
26 subsection (b) which is related to such dividends;
27 plus (ii) 100% of the amount by which dividends,
28 included in taxable income and received, including,
29 for taxable years ending on or after December 31,
30 1988, dividends received or deemed received or paid
31 or deemed paid under Sections 951 through 964 of the
32 Internal Revenue Code, from any such corporation
33 specified in clause (i) that would but for the
34 provisions of Section 1504 (b) (3) of the Internal

1 Revenue Code be treated as a member of the
2 affiliated group which includes the dividend
3 recipient, exceed the amount of the modification
4 provided under subparagraph (G) of paragraph (2) of
5 this subsection (b) which is related to such
6 dividends;

7 (P) An amount equal to any contribution made
8 to a job training project established pursuant to
9 the Tax Increment Allocation Redevelopment Act;

10 (Q) An amount equal to the amount of the
11 deduction used to compute the federal income tax
12 credit for restoration of substantial amounts held
13 under claim of right for the taxable year pursuant
14 to Section 1341 of the Internal Revenue Code of
15 1986;

16 (R) In the case of an attorney-in-fact with
17 respect to whom an interinsurer or a reciprocal
18 insurer has made the election under Section 835 of
19 the Internal Revenue Code, 26 U.S.C. 835, an amount
20 equal to the excess, if any, of the amounts paid or
21 incurred by that interinsurer or reciprocal insurer
22 in the taxable year to the attorney-in-fact over the
23 deduction allowed to that interinsurer or reciprocal
24 insurer with respect to the attorney-in-fact under
25 Section 835(b) of the Internal Revenue Code for the
26 taxable year; and

27 (S) For taxable years ending on or after
28 December 31, 1997, in the case of a Subchapter S
29 corporation, an amount equal to all amounts of
30 income allocable to a shareholder subject to the
31 Personal Property Tax Replacement Income Tax imposed
32 by subsections (c) and (d) of Section 201 of this
33 Act, including amounts allocable to organizations
34 exempt from federal income tax by reason of Section

1 501(a) of the Internal Revenue Code. This
2 subparagraph (S) is exempt from the provisions of
3 Section 250.

4 (3) Special rule. For purposes of paragraph (2)
5 (A), "gross income" in the case of a life insurance
6 company, for tax years ending on and after December 31,
7 1994, shall mean the gross investment income for the
8 taxable year.

9 (c) Trusts and estates.

10 (1) In general. In the case of a trust or estate,
11 base income means an amount equal to the taxpayer's
12 taxable income for the taxable year as modified by
13 paragraph (2).

14 (2) Modifications. Subject to the provisions of
15 paragraph (3), the taxable income referred to in
16 paragraph (1) shall be modified by adding thereto the sum
17 of the following amounts:

18 (A) An amount equal to all amounts paid or
19 accrued to the taxpayer as interest or dividends
20 during the taxable year to the extent excluded from
21 gross income in the computation of taxable income;

22 (B) In the case of (i) an estate, \$600; (ii) a
23 trust which, under its governing instrument, is
24 required to distribute all of its income currently,
25 \$300; and (iii) any other trust, \$100, but in each
26 such case, only to the extent such amount was
27 deducted in the computation of taxable income;

28 (C) An amount equal to the amount of tax
29 imposed by this Act to the extent deducted from
30 gross income in the computation of taxable income
31 for the taxable year;

32 (D) The amount of any net operating loss
33 deduction taken in arriving at taxable income, other
34 than a net operating loss carried forward from a

1 taxable year ending prior to December 31, 1986;

2 (E) For taxable years in which a net operating
3 loss carryback or carryforward from a taxable year
4 ending prior to December 31, 1986 is an element of
5 taxable income under paragraph (1) of subsection (e)
6 or subparagraph (E) of paragraph (2) of subsection
7 (e), the amount by which addition modifications
8 other than those provided by this subparagraph (E)
9 exceeded subtraction modifications in such taxable
10 year, with the following limitations applied in the
11 order that they are listed:

12 (i) the addition modification relating to
13 the net operating loss carried back or forward
14 to the taxable year from any taxable year
15 ending prior to December 31, 1986 shall be
16 reduced by the amount of addition modification
17 under this subparagraph (E) which related to
18 that net operating loss and which was taken
19 into account in calculating the base income of
20 an earlier taxable year, and

21 (ii) the addition modification relating
22 to the net operating loss carried back or
23 forward to the taxable year from any taxable
24 year ending prior to December 31, 1986 shall
25 not exceed the amount of such carryback or
26 carryforward;

27 For taxable years in which there is a net
28 operating loss carryback or carryforward from more
29 than one other taxable year ending prior to December
30 31, 1986, the addition modification provided in this
31 subparagraph (E) shall be the sum of the amounts
32 computed independently under the preceding
33 provisions of this subparagraph (E) for each such
34 taxable year;

1 (F) For taxable years ending on or after
2 January 1, 1989, an amount equal to the tax deducted
3 pursuant to Section 164 of the Internal Revenue Code
4 if the trust or estate is claiming the same tax for
5 purposes of the Illinois foreign tax credit under
6 Section 601 of this Act;

7 (G) An amount equal to the amount of the
8 capital gain deduction allowable under the Internal
9 Revenue Code, to the extent deducted from gross
10 income in the computation of taxable income; and

11 (G-5) For taxable years ending after December
12 31, 1997, an amount equal to any eligible
13 remediation costs that the trust or estate deducted
14 in computing adjusted gross income and for which the
15 trust or estate claims a credit under subsection (l)
16 of Section 201;

17 and by deducting from the total so obtained the sum of
18 the following amounts:

19 (H) An amount equal to all amounts included in
20 such total pursuant to the provisions of Sections
21 402(a), 402(c), 403(a), 403(b), 406(a), 407(a) and
22 408 of the Internal Revenue Code or included in such
23 total as distributions under the provisions of any
24 retirement or disability plan for employees of any
25 governmental agency or unit, or retirement payments
26 to retired partners, which payments are excluded in
27 computing net earnings from self employment by
28 Section 1402 of the Internal Revenue Code and
29 regulations adopted pursuant thereto;

30 (I) The valuation limitation amount;

31 (J) An amount equal to the amount of any tax
32 imposed by this Act which was refunded to the
33 taxpayer and included in such total for the taxable
34 year;

1 (K) An amount equal to all amounts included in
2 taxable income as modified by subparagraphs (A),
3 (B), (C), (D), (E), (F) and (G) which are exempt
4 from taxation by this State either by reason of its
5 statutes or Constitution or by reason of the
6 Constitution, treaties or statutes of the United
7 States; provided that, in the case of any statute of
8 this State that exempts income derived from bonds or
9 other obligations from the tax imposed under this
10 Act, the amount exempted shall be the interest net
11 of bond premium amortization;

12 (L) With the exception of any amounts
13 subtracted under subparagraph (K), an amount equal
14 to the sum of all amounts disallowed as deductions
15 by (i) Sections 171(a) (2) and 265(a)(2) of the
16 Internal Revenue Code, as now or hereafter amended,
17 and all amounts of expenses allocable to interest
18 and disallowed as deductions by Section 265(1) of
19 the Internal Revenue Code of 1954, as now or
20 hereafter amended; and (ii) for taxable years ending
21 on or after August 13, 1999, Sections 171(a)(2),
22 265, 280C, and 832(b)(5)(B)(i) of the Internal
23 Revenue Code; the provisions of this subparagraph
24 are exempt from the provisions of Section 250;

25 (M) An amount equal to those dividends
26 included in such total which were paid by a
27 corporation which conducts business operations in an
28 Enterprise Zone or zones created under the Illinois
29 Enterprise Zone Act and conducts substantially all
30 of its operations in an Enterprise Zone or Zones;

31 (N) An amount equal to any contribution made
32 to a job training project established pursuant to
33 the Tax Increment Allocation Redevelopment Act;

34 (O) An amount equal to those dividends

1 included in such total that were paid by a
2 corporation that conducts business operations in a
3 federally designated Foreign Trade Zone or Sub-Zone
4 and that is designated a High Impact Business
5 located in Illinois; provided that dividends
6 eligible for the deduction provided in subparagraph
7 (M) of paragraph (2) of this subsection shall not be
8 eligible for the deduction provided under this
9 subparagraph (O);

10 (P) An amount equal to the amount of the
11 deduction used to compute the federal income tax
12 credit for restoration of substantial amounts held
13 under claim of right for the taxable year pursuant
14 to Section 1341 of the Internal Revenue Code of
15 1986; and

16 (Q) For taxable year 1999 and thereafter, an
17 amount equal to the amount of any (i) distributions,
18 to the extent includible in gross income for federal
19 income tax purposes, made to the taxpayer because of
20 his or her status as a victim of persecution for
21 racial or religious reasons by Nazi Germany or any
22 other Axis regime or as an heir of the victim and
23 (ii) items of income, to the extent includible in
24 gross income for federal income tax purposes,
25 attributable to, derived from or in any way related
26 to assets stolen from, hidden from, or otherwise
27 lost to a victim of persecution for racial or
28 religious reasons by Nazi Germany or any other Axis
29 regime immediately prior to, during, and immediately
30 after World War II, including, but not limited to,
31 interest on the proceeds receivable as insurance
32 under policies issued to a victim of persecution for
33 racial or religious reasons by Nazi Germany or any
34 other Axis regime by European insurance companies

1 immediately prior to and during World War II;
2 provided, however, this subtraction from federal
3 adjusted gross income does not apply to assets
4 acquired with such assets or with the proceeds from
5 the sale of such assets; provided, further, this
6 paragraph shall only apply to a taxpayer who was the
7 first recipient of such assets after their recovery
8 and who is a victim of persecution for racial or
9 religious reasons by Nazi Germany or any other Axis
10 regime or as an heir of the victim. The amount of
11 and the eligibility for any public assistance,
12 benefit, or similar entitlement is not affected by
13 the inclusion of items (i) and (ii) of this
14 paragraph in gross income for federal income tax
15 purposes. This paragraph is exempt from the
16 provisions of Section 250.

17 (3) Limitation. The amount of any modification
18 otherwise required under this subsection shall, under
19 regulations prescribed by the Department, be adjusted by
20 any amounts included therein which were properly paid,
21 credited, or required to be distributed, or permanently
22 set aside for charitable purposes pursuant to Internal
23 Revenue Code Section 642(c) during the taxable year.

24 (d) Partnerships.

25 (1) In general. In the case of a partnership, base
26 income means an amount equal to the taxpayer's taxable
27 income for the taxable year as modified by paragraph (2).

28 (2) Modifications. The taxable income referred to
29 in paragraph (1) shall be modified by adding thereto the
30 sum of the following amounts:

31 (A) An amount equal to all amounts paid or
32 accrued to the taxpayer as interest or dividends
33 during the taxable year to the extent excluded from
34 gross income in the computation of taxable income;

1 (B) An amount equal to the amount of tax
2 imposed by this Act to the extent deducted from
3 gross income for the taxable year;

4 (C) The amount of deductions allowed to the
5 partnership pursuant to Section 707 (c) of the
6 Internal Revenue Code in calculating its taxable
7 income; and

8 (D) An amount equal to the amount of the
9 capital gain deduction allowable under the Internal
10 Revenue Code, to the extent deducted from gross
11 income in the computation of taxable income;

12 and by deducting from the total so obtained the following
13 amounts:

14 (E) The valuation limitation amount;

15 (F) An amount equal to the amount of any tax
16 imposed by this Act which was refunded to the
17 taxpayer and included in such total for the taxable
18 year;

19 (G) An amount equal to all amounts included in
20 taxable income as modified by subparagraphs (A),
21 (B), (C) and (D) which are exempt from taxation by
22 this State either by reason of its statutes or
23 Constitution or by reason of the Constitution,
24 treaties or statutes of the United States; provided
25 that, in the case of any statute of this State that
26 exempts income derived from bonds or other
27 obligations from the tax imposed under this Act, the
28 amount exempted shall be the interest net of bond
29 premium amortization;

30 (H) Any income of the partnership which
31 constitutes personal service income as defined in
32 Section 1348 (b) (1) of the Internal Revenue Code
33 (as in effect December 31, 1981) or a reasonable
34 allowance for compensation paid or accrued for

1 services rendered by partners to the partnership,
2 whichever is greater;

3 (I) An amount equal to all amounts of income
4 distributable to an entity subject to the Personal
5 Property Tax Replacement Income Tax imposed by
6 subsections (c) and (d) of Section 201 of this Act
7 including amounts distributable to organizations
8 exempt from federal income tax by reason of Section
9 501(a) of the Internal Revenue Code;

10 (J) With the exception of any amounts
11 subtracted under subparagraph (G), an amount equal
12 to the sum of all amounts disallowed as deductions
13 by (i) Sections 171(a) (2), and 265(2) of the
14 Internal Revenue Code of 1954, as now or hereafter
15 amended, and all amounts of expenses allocable to
16 interest and disallowed as deductions by Section
17 265(1) of the Internal Revenue Code, as now or
18 hereafter amended; and (ii) for taxable years ending
19 on or after August 13, 1999, Sections 171(a)(2),
20 265, 280C, and 832(b)(5)(B)(i) of the Internal
21 Revenue Code; the provisions of this subparagraph
22 are exempt from the provisions of Section 250;

23 (K) An amount equal to those dividends
24 included in such total which were paid by a
25 corporation which conducts business operations in an
26 Enterprise Zone or zones created under the Illinois
27 Enterprise Zone Act, enacted by the 82nd General
28 Assembly, and conducts substantially all of its
29 operations ~~which--does--not--conduct--such--operations~~
30 ~~other--than~~ in an Enterprise Zone or Zones;

31 (L) An amount equal to any contribution made
32 to a job training project established pursuant to
33 the Real Property Tax Increment Allocation
34 Redevelopment Act;

1 (M) An amount equal to those dividends
2 included in such total that were paid by a
3 corporation that conducts business operations in a
4 federally designated Foreign Trade Zone or Sub-Zone
5 and that is designated a High Impact Business
6 located in Illinois; provided that dividends
7 eligible for the deduction provided in subparagraph
8 (K) of paragraph (2) of this subsection shall not be
9 eligible for the deduction provided under this
10 subparagraph (M); and

11 (N) An amount equal to the amount of the
12 deduction used to compute the federal income tax
13 credit for restoration of substantial amounts held
14 under claim of right for the taxable year pursuant
15 to Section 1341 of the Internal Revenue Code of
16 1986.

17 (e) Gross income; adjusted gross income; taxable income.

18 (1) In general. Subject to the provisions of
19 paragraph (2) and subsection (b) (3), for purposes of
20 this Section and Section 803(e), a taxpayer's gross
21 income, adjusted gross income, or taxable income for the
22 taxable year shall mean the amount of gross income,
23 adjusted gross income or taxable income properly
24 reportable for federal income tax purposes for the
25 taxable year under the provisions of the Internal Revenue
26 Code. Taxable income may be less than zero. However, for
27 taxable years ending on or after December 31, 1986, net
28 operating loss carryforwards from taxable years ending
29 prior to December 31, 1986, may not exceed the sum of
30 federal taxable income for the taxable year before net
31 operating loss deduction, plus the excess of addition
32 modifications over subtraction modifications for the
33 taxable year. For taxable years ending prior to December
34 31, 1986, taxable income may never be an amount in excess

1 of the net operating loss for the taxable year as defined
2 in subsections (c) and (d) of Section 172 of the Internal
3 Revenue Code, provided that when taxable income of a
4 corporation (other than a Subchapter S corporation),
5 trust, or estate is less than zero and addition
6 modifications, other than those provided by subparagraph
7 (E) of paragraph (2) of subsection (b) for corporations
8 or subparagraph (E) of paragraph (2) of subsection (c)
9 for trusts and estates, exceed subtraction modifications,
10 an addition modification must be made under those
11 subparagraphs for any other taxable year to which the
12 taxable income less than zero (net operating loss) is
13 applied under Section 172 of the Internal Revenue Code or
14 under subparagraph (E) of paragraph (2) of this
15 subsection (e) applied in conjunction with Section 172 of
16 the Internal Revenue Code.

17 (2) Special rule. For purposes of paragraph (1) of
18 this subsection, the taxable income properly reportable
19 for federal income tax purposes shall mean:

20 (A) Certain life insurance companies. In the
21 case of a life insurance company subject to the tax
22 imposed by Section 801 of the Internal Revenue Code,
23 life insurance company taxable income, plus the
24 amount of distribution from pre-1984 policyholder
25 surplus accounts as calculated under Section 815a of
26 the Internal Revenue Code;

27 (B) Certain other insurance companies. In the
28 case of mutual insurance companies subject to the
29 tax imposed by Section 831 of the Internal Revenue
30 Code, insurance company taxable income;

31 (C) Regulated investment companies. In the
32 case of a regulated investment company subject to
33 the tax imposed by Section 852 of the Internal
34 Revenue Code, investment company taxable income;

1 (D) Real estate investment trusts. In the
2 case of a real estate investment trust subject to
3 the tax imposed by Section 857 of the Internal
4 Revenue Code, real estate investment trust taxable
5 income;

6 (E) Consolidated corporations. In the case of
7 a corporation which is a member of an affiliated
8 group of corporations filing a consolidated income
9 tax return for the taxable year for federal income
10 tax purposes, taxable income determined as if such
11 corporation had filed a separate return for federal
12 income tax purposes for the taxable year and each
13 preceding taxable year for which it was a member of
14 an affiliated group. For purposes of this
15 subparagraph, the taxpayer's separate taxable income
16 shall be determined as if the election provided by
17 Section 243(b) (2) of the Internal Revenue Code had
18 been in effect for all such years;

19 (F) Cooperatives. In the case of a
20 cooperative corporation or association, the taxable
21 income of such organization determined in accordance
22 with the provisions of Section 1381 through 1388 of
23 the Internal Revenue Code;

24 (G) Subchapter S corporations. In the case
25 of: (i) a Subchapter S corporation for which there
26 is in effect an election for the taxable year under
27 Section 1362 of the Internal Revenue Code, the
28 taxable income of such corporation determined in
29 accordance with Section 1363(b) of the Internal
30 Revenue Code, except that taxable income shall take
31 into account (1) those items which are required by
32 Section 1363(b)(1) of the Internal Revenue Code to
33 be separately stated and (2) those items that are
34 not, under the Internal Revenue Code, items of the

1 Subchapter S corporation, but that are required
2 under the Internal Revenue Code to be computed
3 separately by each shareholder according to each
4 shareholder's pro rata share of the adjusted basis
5 of property, amount realized, or other amounts, of
6 the Subchapter S corporation; and (ii) a Subchapter
7 S corporation for which there is in effect a federal
8 election to opt out of the provisions of the
9 Subchapter S Revision Act of 1982 and have applied
10 instead the prior federal Subchapter S rules as in
11 effect on July 1, 1982, the taxable income of such
12 corporation determined in accordance with the
13 federal Subchapter S rules as in effect on July 1,
14 1982; and

15 (H) Partnerships. In the case of a
16 partnership, taxable income determined in accordance
17 with Section 703 of the Internal Revenue Code,
18 except that taxable income shall take into account
19 (1) those items which are required by Section
20 703(a)(1) to be separately stated but which would be
21 taken into account by an individual in calculating
22 his taxable income and (2) those items that are not,
23 under the Internal Revenue Code, items of the
24 partnership, but that are required under the
25 Internal Revenue Code to be computed separately by
26 each partner according to each partner's
27 proportionate share of the adjusted basis of
28 property, allocable portion of the amount realized,
29 or other amounts, of the partnership.

30 (f) Valuation limitation amount.

31 (1) In general. The valuation limitation amount
32 referred to in subsections (a) (2) (G), (c) (2) (I) and
33 (d)(2) (E) is an amount equal to:

34 (A) The sum of the pre-August 1, 1969

1 appreciation amounts (to the extent consisting of
2 gain reportable under the provisions of Section 1245
3 or 1250 of the Internal Revenue Code) for all
4 property in respect of which such gain was reported
5 for the taxable year; plus

6 (B) The lesser of (i) the sum of the
7 pre-August 1, 1969 appreciation amounts (to the
8 extent consisting of capital gain) for all property
9 in respect of which such gain was reported for
10 federal income tax purposes for the taxable year, or
11 (ii) the net capital gain for the taxable year,
12 reduced in either case by any amount of such gain
13 included in the amount determined under subsection
14 (a) (2) (F) or (c) (2) (H).

15 (2) Pre-August 1, 1969 appreciation amount.

16 (A) If the fair market value of property
17 referred to in paragraph (1) was readily
18 ascertainable on August 1, 1969, the pre-August 1,
19 1969 appreciation amount for such property is the
20 lesser of (i) the excess of such fair market value
21 over the taxpayer's basis (for determining gain) for
22 such property on that date (determined under the
23 Internal Revenue Code as in effect on that date), or
24 (ii) the total gain realized and reportable for
25 federal income tax purposes in respect of the sale,
26 exchange or other disposition of such property.

27 (B) If the fair market value of property
28 referred to in paragraph (1) was not readily
29 ascertainable on August 1, 1969, the pre-August 1,
30 1969 appreciation amount for such property is that
31 amount which bears the same ratio to the total gain
32 reported in respect of the property for federal
33 income tax purposes for the taxable year, as the
34 number of full calendar months in that part of the

1 taxpayer's holding period for the property ending
2 July 31, 1969 bears to the number of full calendar
3 months in the taxpayer's entire holding period for
4 the property.

5 (C) The Department shall prescribe such
6 regulations as may be necessary to carry out the
7 purposes of this paragraph.

8 (g) Double deductions. Unless specifically provided
9 otherwise, nothing in this Section shall permit the same item
10 to be deducted more than once.

11 (h) Legislative intention. Except as expressly provided
12 by this Section there shall be no modifications or
13 limitations on the amounts of income, gain, loss or deduction
14 taken into account in determining gross income, adjusted
15 gross income or taxable income for federal income tax
16 purposes for the taxable year, or in the amount of such items
17 entering into the computation of base income and net income
18 under this Act for such taxable year, whether in respect of
19 property values as of August 1, 1969 or otherwise.

20 (Source: P.A. 90-491, eff. 1-1-98; 90-717, eff. 8-7-98;
21 90-770, eff. 8-14-98; 91-192, eff. 7-20-99; 91-205, eff.
22 7-20-99; 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676,
23 eff. 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01;
24 revised 1-15-01.)

25 (35 ILCS 5/209)

26 Sec. 209. Tax Credit for "TECH-PREP" youth vocational
27 programs.

28 (a) Beginning with tax years ending on or after June 30,
29 1995, every taxpayer who is primarily engaged in
30 manufacturing is allowed a credit against the tax imposed by
31 subsections (a) and (b) of Section 201 in an amount equal to
32 20% of the taxpayer's direct payroll expenditures for which a

1 credit has not already been claimed under subsection (j) of
2 Section 201 of this Act, in the tax year for which the credit
3 is claimed, for cooperative secondary school youth vocational
4 programs in Illinois which are certified as qualifying
5 TECH-PREP programs by the State Board of Education and--the
6 Department--of--Revenue because the programs prepare students
7 to be technically skilled workers and meet the performance
8 standards of business and industry and the admission
9 standards of higher education. The credit may also be claimed
10 for personal services rendered to the taxpayer by a TECH-PREP
11 student or instructor (i) which would be subject to the
12 provisions of Article 7 of this Act if the student or
13 instructor was an employee of the taxpayer and (ii) for which
14 no credit under this Section is claimed by another taxpayer.

15 (b) If the amount of the credit exceeds the tax
16 liability for the year, the excess may be carried forward and
17 applied to the tax liability of the 2 taxable years following
18 the excess credit year. The credit shall be applied to the
19 earliest year for which there is a tax liability. If there
20 are credits from more than one tax year that are available to
21 offset a liability, the earlier credit shall be applied
22 first.

23 (c) A taxpayer claiming the credit provided by this
24 Section shall maintain and record such information regarding
25 its participation in a qualifying TECH-PREP program as the
26 Department may require by regulation. When claiming the
27 credit provided by this Section, the taxpayer shall provide
28 such information regarding the taxpayer's participation in a
29 qualifying TECH-PREP program as the Department of Revenue may
30 require by regulation.

31 (d) This Section does not apply to those programs with
32 national standards that have been or in the future are
33 approved by the U.S. Department of Labor, Bureau of
34 Apprenticeship Training or any federal agency succeeding to

1 the responsibilities of that Bureau.

2 (Source: P.A. 88-505; 89-399, eff. 8-20-95.)

3 (35 ILCS 5/502) (from Ch. 120, par. 5-502)

4 Sec. 502. Returns and notices.

5 (a) In general. A return with respect to the taxes
6 imposed by this Act shall be made by every person for any
7 taxable year:

8 (1) For which such person is liable for a tax
9 imposed by this Act, or

10 (2) In the case of a resident or in the case of a
11 corporation which is qualified to do business in this
12 State, for which such person is required to make a
13 federal income tax return, regardless of whether such
14 person is liable for a tax imposed by this Act. However,
15 this paragraph shall not require a resident to make a
16 return if such person has an Illinois base income of the
17 basic amount in Section 204(b) or less and is either
18 claimed as a dependent on another person's tax return
19 under the Internal Revenue Code of 1986, or is claimed as
20 a dependent on another person's tax return under this
21 Act.

22 (b) Fiduciaries and receivers.

23 (1) Decedents. If an individual is deceased, any
24 return or notice required of such individual under this
25 Act shall be made by his executor, administrator, or
26 other person charged with the property of such decedent.

27 (2) Individuals under a disability. If an
28 individual is unable to make a return or notice required
29 under this Act, the return or notice required of such
30 individual shall be made by his duly authorized agent,
31 guardian, fiduciary or other person charged with the care
32 of the person or property of such individual.

33 (3) Estates and trusts. Returns or notices required

1 of an estate or a trust shall be made by the fiduciary
2 thereof.

3 (4) Receivers, trustees and assignees for
4 corporations. In a case where a receiver, trustee in
5 bankruptcy, or assignee, by order of a court of competent
6 jurisdiction, by operation of law, or otherwise, has
7 possession of or holds title to all or substantially all
8 the property or business of a corporation, whether or not
9 such property or business is being operated, such
10 receiver, trustee, or assignee shall make the returns and
11 notices required of such corporation in the same manner
12 and form as corporations are required to make such
13 returns and notices.

14 (c) Joint returns by husband and wife.

15 (1) Except as provided in paragraph (3), if a
16 husband and wife file a joint federal income tax return
17 for a taxable year they shall file a joint return under
18 this Act for such taxable year and their liabilities
19 shall be joint and several, but if the federal income tax
20 liability of either spouse is determined on a separate
21 federal income tax return, they shall file separate
22 returns under this Act.

23 (2) If neither spouse is required to file a federal
24 income tax return and either or both are required to file
25 a return under this Act, they may elect to file separate
26 or joint returns and pursuant to such election their
27 liabilities shall be separate or joint and several.

28 (3) If either husband or wife is a resident and the
29 other is a nonresident, they shall file separate returns
30 in this State on such forms as may be required by the
31 Department in which event their tax liabilities shall be
32 separate; but they may elect to determine their joint net
33 income and file a joint return as if both were residents
34 and in such case, their liabilities shall be joint and

1 several.

2 (4) Innocent spouses.

3 (A) However, for tax liabilities arising and
4 paid prior to August 13, 1999 ~~the effective date of~~
5 ~~this amendatory Act of the 91st General Assembly~~, an
6 innocent spouse shall be relieved of liability for
7 tax (including interest and penalties) for any
8 taxable year for which a joint return has been made,
9 upon submission of proof that the Internal Revenue
10 Service has made a determination under Section
11 6013(e) of the Internal Revenue Code, for the same
12 taxable year, which determination relieved the
13 spouse from liability for federal income taxes. If
14 there is no federal income tax liability at issue
15 for the same taxable year, the Department shall rely
16 on the provisions of Section 6013(e) to determine
17 whether the person requesting innocent spouse
18 abatement of tax, penalty, and interest is entitled
19 to that relief.

20 (B) For tax liabilities arising on and after
21 August 13, 1999 ~~the effective date of this~~
22 ~~amendatory Act of the 91st General Assembly~~ or which
23 arose prior to that effective date, but remain
24 unpaid as of that ~~the effective~~ date, if an
25 individual who filed a joint return for any taxable
26 year has made an election under this paragraph, the
27 individual's liability for any tax shown on the
28 joint return shall not exceed the individual's
29 separate return amount and the individual's
30 liability for any deficiency assessed for that
31 taxable year shall not exceed the portion of the
32 deficiency properly allocable to the individual.
33 For purposes of this paragraph:

34 (i) An election properly made pursuant to

1 Section 6015 of the Internal Revenue Code shall
2 constitute an election under this paragraph,
3 provided that the election shall not be
4 effective until the individual has notified the
5 Department of the election in the form and
6 manner prescribed by the Department.

7 (ii) If no election has been made under
8 Section 6015, the individual may make an
9 election under this paragraph in the form and
10 manner prescribed by the Department, provided
11 that no election may be made if the Department
12 finds that assets were transferred between
13 individuals filing a joint return as part of a
14 scheme by such individuals to avoid payment of
15 Illinois income tax and the election shall not
16 eliminate the individual's liability for any
17 portion of a deficiency attributable to an
18 error on the return of which the individual had
19 actual knowledge as of the date of filing.

20 (iii) In determining the separate return
21 amount or portion of any deficiency
22 attributable to an individual, the Department
23 shall follow the provisions in subsections (c)
24 and (d) of Section 6015 ~~6015(b)-and-(e)~~ of the
25 Internal Revenue Code.

26 (iv) In determining the validity of an
27 individual's election under subparagraph (ii)
28 and in determining an electing individual's
29 separate return amount or portion of any
30 deficiency under subparagraph (iii), any
31 determination made by the Secretary of the
32 Treasury, by the United States Tax Court on
33 petition for review of a determination by the
34 Secretary of the Treasury, or on appeal from

1 the United States Tax Court under Section 6015
2 6015(a) of the Internal Revenue Code regarding
3 criteria for eligibility or under subsection
4 (d) of Section 6015 ~~6015(b) or (e)~~ of the
5 Internal Revenue Code regarding the allocation
6 of any item of income, deduction, payment, or
7 credit between an individual making the federal
8 election and that individual's spouse shall be
9 conclusively presumed to be correct. With
10 respect to any item that is not the subject of
11 a determination by the Secretary of the
12 Treasury or the federal courts, in any
13 proceeding involving this subsection, the
14 individual making the election shall have the
15 burden of proof with respect to any item except
16 that the Department shall have the burden of
17 proof with respect to items in subdivision
18 (ii).

19 (v) Any election made by an individual
20 under this subsection shall apply to all years
21 for which that individual and the spouse named
22 in the election have filed a joint return.

23 (vi) After receiving a notice that the
24 federal election has been made or after
25 receiving an election under subdivision (ii),
26 the Department shall take no collection action
27 against the electing individual for any
28 liability arising from a joint return covered
29 by the election until the Department has
30 notified the electing individual in writing
31 that the election is invalid or of the portion
32 of the liability the Department has allocated
33 to the electing individual. Within 60 days
34 (150 days if the individual is outside the

1 United States) after the issuance of such
2 notification, the individual may file a written
3 protest of the denial of the election or of the
4 Department's determination of the liability
5 allocated to him or her and shall be granted a
6 hearing within the Department under the
7 provisions of Section 908. If a protest is
8 filed, the Department shall take no collection
9 action against the electing individual until
10 the decision regarding the protest has become
11 final under subsection (d) of Section 908 or,
12 if administrative review of the Department's
13 decision is requested under Section 1201, until
14 the decision of the court becomes final.

15 (d) Partnerships. Every partnership having any base
16 income allocable to this State in accordance with section
17 305(c) shall retain information concerning all items of
18 income, gain, loss and deduction; the names and addresses of
19 all of the partners, or names and addresses of members of a
20 limited liability company, or other persons who would be
21 entitled to share in the base income of the partnership if
22 distributed; the amount of the distributive share of each;
23 and such other pertinent information as the Department may by
24 forms or regulations prescribe. The partnership shall make
25 that information available to the Department when requested
26 by the Department.

27 (e) For taxable years ending on or after December 31,
28 1985, and before December 31, 1993, taxpayers that are
29 corporations (other than Subchapter S corporations) having
30 the same taxable year and that are members of the same
31 unitary business group may elect to be treated as one
32 taxpayer for purposes of any original return, amended return
33 which includes the same taxpayers of the unitary group which
34 joined in the election to file the original return,

1 extension, claim for refund, assessment, collection and
2 payment and determination of the group's tax liability under
3 this Act. This subsection (e) does not permit the election to
4 be made for some, but not all, of the purposes enumerated
5 above. For taxable years ending on or after December 31,
6 1987, corporate members (other than Subchapter S
7 corporations) of the same unitary business group making this
8 subsection (e) election are not required to have the same
9 taxable year.

10 For taxable years ending on or after December 31, 1993,
11 taxpayers that are corporations (other than Subchapter S
12 corporations) and that are members of the same unitary
13 business group shall be treated as one taxpayer for purposes
14 of any original return, amended return which includes the
15 same taxpayers of the unitary group which joined in filing
16 the original return, extension, claim for refund, assessment,
17 collection and payment and determination of the group's tax
18 liability under this Act.

19 (f) The Department may promulgate regulations to permit
20 nonresident individual partners of the same partnership,
21 nonresident Subchapter S corporation shareholders of the same
22 Subchapter S corporation, and nonresident individuals
23 transacting an insurance business in Illinois under a Lloyds
24 plan of operation, and nonresident individual members of the
25 same limited liability company that is treated as a
26 partnership under Section 1501 (a)(16) of this Act, to file
27 composite individual income tax returns reflecting the
28 composite income of such individuals allocable to Illinois
29 and to make composite individual income tax payments. The
30 Department may by regulation also permit such composite
31 returns to include the income tax owed by Illinois residents
32 attributable to their income from partnerships, Subchapter S
33 corporations, insurance businesses organized under a Lloyds
34 plan of operation, or limited liability companies that are

1 treated as partnership under Section 1501 (a)(16) of this
2 Act, in which case such Illinois residents will be permitted
3 to claim credits on their individual returns for their shares
4 of the composite tax payments. This paragraph of subsection
5 (f) applies to taxable years ending on or after December 31,
6 1987.

7 For taxable years ending on or after December 31, 1999,
8 the Department may, by regulation, also permit any persons
9 transacting an insurance business organized under a Lloyds
10 plan of operation to file composite returns reflecting the
11 income of such persons allocable to Illinois and the tax
12 rates applicable to such persons under Section 201 and to
13 make composite tax payments and shall, by regulation, also
14 provide that the income and apportionment factors
15 attributable to the transaction of an insurance business
16 organized under a Lloyds plan of operation by any person
17 joining in the filing of a composite return shall, for
18 purposes of allocating and apportioning income under Article
19 3 of this Act and computing net income under Section 202 of
20 this Act, be excluded from any other income and apportionment
21 factors of that person or of any unitary business group, as
22 defined in subdivision (a)(27) of Section 1501, to which that
23 person may belong.

24 (g) The Department may adopt rules to authorize the
25 electronic filing of any return required to be filed under
26 this Section.

27 (Source: P.A. 90-613, eff. 7-9-98; 91-541, eff. 8-13-99;
28 91-913, eff. 1-1-01.)

29 (35 ILCS 5/506) (from Ch. 120, par. 5-506)
30 Sec. 506. Federal Returns.

31 (a) In general. Any person required to make a return
32 for a taxable year under this Act may, at any time that a
33 deficiency could be assessed or a refund claimed under this

1 Act in respect of any item reported or properly reportable on
 2 such return or any amendment thereof, be required to furnish
 3 to the Department a true and correct copy of any return which
 4 may pertain to such item and which was filed by such person
 5 under the provisions of the Internal Revenue Code.

6 (b) Changes affecting federal income tax. A person shall
 7 notify the Department if: ~~In-the-event~~

8 (1) the taxable income, any item of income or
 9 deduction, the income tax liability, or any tax credit
 10 reported in a federal income tax return of that any
 11 person for any year is altered by amendment of such
 12 return or as a result of any other recomputation or
 13 redetermination of federal taxable income or loss, and
 14 such alteration reflects a change or settlement with
 15 respect to any item or items, affecting the computation
 16 of such person's net income, net loss, or of any credit
 17 provided by Article 2 of this Act for any year under this
 18 Act, or in the number of personal exemptions allowable to
 19 such person under Section 151 of the Internal Revenue
 20 Code, or

21 (2) the amount of tax required to be withheld by
 22 that person from compensation paid to employees and
 23 required to be reported by that person on a federal
 24 return is altered by amendment of the return or by any
 25 other recomputation or redetermination that is agreed to
 26 or finally determined on or after January 1, 2002, and
 27 the alteration affects the amount of compensation subject
 28 to withholding by that person under Section 701 of this
 29 Act such-person--shall--notify--the--Department--of--such
 30 alteration.

31 Such notification shall be in the form of an amended return
 32 or such other form as the Department may by regulations
 33 prescribe, shall contain the person's name and address and
 34 such other information as the Department may by regulations

1 prescribe, shall be signed by such person or his duly
2 authorized representative, and shall be filed not later than
3 120 days after such alteration has been agreed to or finally
4 determined for federal income tax purposes or any federal
5 income tax deficiency or refund, tentative carryback
6 adjustment, abatement or credit resulting therefrom has been
7 assessed or paid, whichever shall first occur.

8 (Source: P.A. 90-491, eff. 1-1-98.)

9 (35 ILCS 5/905) (from Ch. 120, par. 9-905)

10 Sec. 905. Limitations on Notices of Deficiency.

11 (a) In general. Except as otherwise provided in this
12 Act:

13 (1) A notice of deficiency shall be issued not
14 later than 3 years after the date the return was filed,
15 and

16 (2) No deficiency shall be assessed or collected
17 with respect to the year for which the return was filed
18 unless such notice is issued within such period.

19 (b) Omission of more than 25% of income. If the taxpayer
20 omits from base income an amount properly includible therein
21 which is in excess of 25% of the amount of base income stated
22 in the return, a notice of deficiency may be issued not later
23 than 6 years after the return was filed. For purposes of this
24 paragraph, there shall not be taken into account any amount
25 which is omitted in the return if such amount is disclosed in
26 the return, or in a statement attached to the return, in a
27 manner adequate to apprise the Department of the nature and
28 the amount of such item.

29 (c) No return or fraudulent return. If no return is
30 filed or a false and fraudulent return is filed with intent
31 to evade the tax imposed by this Act, a notice of deficiency
32 may be issued at any time.

33 (d) Failure to report federal change. If a taxpayer

1 fails to notify the Department in any case where notification
 2 is required by Section 304(c) or 506(b), or fails to report a
 3 change or correction which is treated in the same manner as
 4 if it were a deficiency for federal income tax purposes, a
 5 notice of deficiency may be issued (i) at any time or (ii) on
 6 or after August 13, 1999 ~~the--effective--date--of---this~~
 7 ~~amendatory--Act-of-the-91st-General-Assembly~~, at any time for
 8 the taxable year for which the notification is required or
 9 for any taxable year to which the taxpayer may carry an
 10 Article 2 credit, or a Section 207 loss, earned, incurred, or
 11 used in the year for which the notification is required;
 12 provided, however, that the amount of any proposed assessment
 13 set forth in the notice shall be limited to the amount of any
 14 deficiency resulting under this Act from the recomputation of
 15 the taxpayer's net income, Article 2 credits, or Section 207
 16 loss earned, incurred, or used in the taxable year for which
 17 the notification is required after giving effect to the item
 18 or items required to be reported.

19 (e) Report of federal change.

20 (1) Before August 13, 1999 ~~the--effective--date--of~~
 21 ~~this--amendatory-Act-of-the-91st-General-Assembly~~, in any
 22 case where notification of an alteration is given as
 23 required by Section 506(b), a notice of deficiency may be
 24 issued at any time within 2 years after the date such
 25 notification is given, provided, however, that the amount
 26 of any proposed assessment set forth in such notice shall
 27 be limited to the amount of any deficiency resulting
 28 under this Act from recomputation of the taxpayer's net
 29 income, net loss, or Article 2 credits for the taxable
 30 year after giving effect to the item or items reflected
 31 in the reported alteration.

32 (2) On and after August 13, 1999 ~~the-effective-date~~
 33 ~~of-this-amendatory-Act-of-the-91st-General--Assembly~~, in
 34 any case where notification of an alteration is given as

1 required by Section 506(b), a notice of deficiency may be
2 issued at any time within 2 years after the date such
3 notification is given for the taxable year for which the
4 notification is given or for any taxable year to which
5 the taxpayer may carry an Article 2 credit, or a Section
6 207 loss, earned, incurred, or used in the year for which
7 the notification is given, provided, however, that the
8 amount of any proposed assessment set forth in such
9 notice shall be limited to the amount of any deficiency
10 resulting under this Act from recomputation of the
11 taxpayer's net income, Article 2 credits, or Section 207
12 loss earned, incurred, or used in the taxable year for
13 which the notification is given after giving effect to
14 the item or items reflected in the reported alteration.

15 (f) Extension by agreement. Where, before the expiration
16 of the time prescribed in this section for the issuance of a
17 notice of deficiency, both the Department and the taxpayer
18 shall have consented in writing to its issuance after such
19 time, such notice may be issued at any time prior to the
20 expiration of the period agreed upon. In the case of a
21 taxpayer who is a partnership, Subchapter S corporation, or
22 trust and who enters into an agreement with the Department
23 pursuant to this subsection on or after January 1, 2002, a
24 notice of deficiency may be issued to the partners,
25 shareholders, or beneficiaries of the taxpayer at any time
26 prior to the expiration of the period agreed upon. Any
27 proposed assessment set forth in the notice, however, shall
28 be limited to the amount of any deficiency resulting under
29 this Act from recomputation of items of income, deduction,
30 credits, or other amounts of the taxpayer that are taken into
31 account by the partner, shareholder, or beneficiary in
32 computing its liability under this Act. The period so agreed
33 upon may be extended by subsequent agreements in writing made
34 before the expiration of the period previously agreed upon.

1 (g) Erroneous refunds. In any case in which there has
2 been an erroneous refund of tax payable under this Act, a
3 notice of deficiency may be issued at any time within 2 years
4 from the making of such refund, or within 5 years from the
5 making of such refund if it appears that any part of the
6 refund was induced by fraud or the misrepresentation of a
7 material fact, provided, however, that the amount of any
8 proposed assessment set forth in such notice shall be limited
9 to the amount of such erroneous refund.

10 Beginning July 1, 1993, in any case in which there has
11 been a refund of tax payable under this Act attributable to a
12 net loss carryback as provided for in Section 207, and that
13 refund is subsequently determined to be an erroneous refund
14 due to a reduction in the amount of the net loss which was
15 originally carried back, a notice of deficiency for the
16 erroneous refund amount may be issued at any time during the
17 same time period in which a notice of deficiency can be
18 issued on the loss year creating the carryback amount and
19 subsequent erroneous refund. The amount of any proposed
20 assessment set forth in the notice shall be limited to the
21 amount of such erroneous refund.

22 (h) Time return deemed filed. For purposes of this
23 Section a tax return filed before the last day prescribed by
24 law (including any extension thereof) shall be deemed to have
25 been filed on such last day.

26 (i) Request for prompt determination of liability. For
27 purposes of Subsection (a)(1), in the case of a tax return
28 required under this Act in respect of a decedent, or by his
29 estate during the period of administration, or by a
30 corporation, the period referred to in such Subsection shall
31 be 18 months after a written request for prompt determination
32 of liability is filed with the Department (at such time and
33 in such form and manner as the Department shall by
34 regulations prescribe) by the executor, administrator, or

1 other fiduciary representing the estate of such decedent, or
2 by such corporation, but not more than 3 years after the date
3 the return was filed. This Subsection shall not apply in the
4 case of a corporation unless:

5 (1) (A) Such written request notifies the
6 Department that the corporation contemplates dissolution
7 at or before the expiration of such 18-month period, (B)
8 the dissolution is begun in good faith before the
9 expiration of such 18-month period, and (C) the
10 dissolution is completed;

11 (2) (A) Such written request notifies the
12 Department that a dissolution has in good faith been
13 begun, and (B) the dissolution is completed; or

14 (3) A dissolution has been completed at the time
15 such written request is made.

16 (j) Withholding tax. In the case of returns required
17 under Article 7 of this Act (with respect to any amounts
18 withheld as tax or any amounts required to have been withheld
19 as tax) a notice of deficiency shall be issued not later than
20 3 years after the 15th day of the 4th month following the
21 close of the calendar year in which such withholding was
22 required.

23 (k) Penalties for failure to make information reports.
24 A notice of deficiency for the penalties provided by
25 Subsection 1405.1(c) of this Act may not be issued more than
26 3 years after the due date of the reports with respect to
27 which the penalties are asserted.

28 (l) Penalty for failure to file withholding returns. A
29 notice of deficiency for penalties provided by Section 1004
30 of this Act for taxpayer's failure to file withholding
31 returns may not be issued more than three years after the
32 15th day of the 4th month following the close of the calendar
33 year in which the withholding giving rise to taxpayer's
34 obligation to file those returns occurred.

1 (m) Transferee liability. A notice of deficiency may be
2 issued to a transferee relative to a liability asserted under
3 Section 1405 during time periods defined as follows:

4 1) Initial Transferee. In the case of the
5 liability of an initial transferee, up to 2 years after
6 the expiration of the period of limitation for assessment
7 against the transferor, except that if a court proceeding
8 for review of the assessment against the transferor has
9 begun, then up to 2 years after the return of the
10 certified copy of the judgment in the court proceeding.

11 2) Transferee of Transferee. In the case of the
12 liability of a transferee, up to 2 years after the
13 expiration of the period of limitation for assessment
14 against the preceding transferee, but not more than 3
15 years after the expiration of the period of limitation
16 for assessment against the initial transferor; except
17 that if, before the expiration of the period of
18 limitation for the assessment of the liability of the
19 transferee, a court proceeding for the collection of the
20 tax or liability in respect thereof has been begun
21 against the initial transferor or the last preceding
22 transferee, as the case may be, then the period of
23 limitation for assessment of the liability of the
24 transferee shall expire 2 years after the return of the
25 certified copy of the judgment in the court proceeding.

26 (n) Notice of decrease in net loss. On and after the
27 effective date of this amendatory Act of the 92nd General
28 Assembly, no notice of deficiency shall be issued as the
29 result of a decrease determined by the Department in the net
30 loss incurred by a taxpayer under Section 207 of this Act
31 unless the Department has notified the taxpayer of the
32 proposed decrease within 3 years after the return reporting
33 the loss was filed or within one year after an amended return
34 reporting an increase in the loss was filed, provided that in

1 the case of an amended return, a decrease proposed by the
2 Department more than 3 years after the original return was
3 filed may not exceed the increase claimed by the taxpayer on
4 the original return.

5 (Source: P.A. 90-491, eff. 1-1-98; 91-541, eff. 8-13-99.)

6 (35 ILCS 5/911) (from Ch. 120, par. 9-911)

7 Sec. 911. Limitations on Claims for Refund.

8 (a) In general. Except as otherwise provided in this
9 Act:

10 (1) A claim for refund shall be filed not later
11 than 3 years after the date the return was filed (in the
12 case of returns required under Article 7 of this Act
13 respecting any amounts withheld as tax, not later than 3
14 years after the 15th day of the 4th month following the
15 close of the calendar year in which such withholding was
16 made), or one year after the date the tax was paid,
17 whichever is the later; and

18 (2) No credit or refund shall be allowed or made
19 with respect to the year for which the claim was filed
20 unless such claim is filed within such period.

21 (b) Federal changes.

22 (1) In general. In any case where notification of
23 an alteration is required by Section 506 (b), a claim for
24 refund may be filed within 2 years after the date on
25 which such notification was due (regardless of whether
26 such notice was given), but the amount recoverable
27 pursuant to a claim filed under this Section shall be
28 limited to the amount of any overpayment resulting under
29 this Act from recomputation of the taxpayer's net income,
30 net loss, or Article 2 credits for the taxable year after
31 giving effect to the item or items reflected in the
32 alteration required to be reported.

33 (2) Tentative carryback adjustments paid before

1 January 1, 1974. If, as the result of the payment before
2 January 1, 1974 of a federal tentative carryback
3 adjustment, a notification of an alteration is required
4 under Section 506 (b), a claim for refund may be filed at
5 any time before January 1, 1976, but the amount
6 recoverable pursuant to a claim filed under this Section
7 shall be limited to the amount of any overpayment
8 resulting under this Act from recomputation of the
9 taxpayer's base income for the taxable year after giving
10 effect to the federal alteration resulting from the
11 tentative carryback adjustment irrespective of any
12 limitation imposed in paragraph (1) of this subsection.

13 (c) Extension by agreement. Where, before the
14 expiration of the time prescribed in this section for the
15 filing of a claim for refund, both the Department and the
16 claimant shall have consented in writing to its filing after
17 such time, such claim may be filed at any time prior to the
18 expiration of the period agreed upon. The period so agreed
19 upon may be extended by subsequent agreements in writing made
20 before the expiration of the period previously agreed upon.
21 In the case of a taxpayer who is a partnership, Subchapter S
22 corporation, or trust and who enters into an agreement with
23 the Department pursuant to this subsection on or after
24 January 1, 2002, a claim for refund may be issued to the
25 partners, shareholders, or beneficiaries of the taxpayer at
26 any time prior to the expiration of the period agreed upon.
27 Any refund allowed pursuant to the claim, however, shall be
28 limited to the amount of any overpayment of tax due under
29 this Act that results from recomputation of items of income,
30 deduction, credits, or other amounts of the taxpayer that are
31 taken into account by the partner, shareholder, or
32 beneficiary in computing its liability under this Act.

33 (d) Limit on amount of credit or refund.

34 (1) Limit where claim filed within 3-year period.

1 If the claim was filed by the claimant during the 3-year
2 period prescribed in subsection (a), the amount of the
3 credit or refund shall not exceed the portion of the tax
4 paid within the period, immediately preceding the filing
5 of the claim, equal to 3 years plus the period of any
6 extension of time for filing the return.

7 (2) Limit where claim not filed within 3-year
8 period. If the claim was not filed within such 3-year
9 period, the amount of the credit or refund shall not
10 exceed the portion of the tax paid during the one year
11 immediately preceding the filing of the claim.

12 (e) Time return deemed filed. For purposes of this
13 section a tax return filed before the last day prescribed by
14 law for the filing of such return (including any extensions
15 thereof) shall be deemed to have been filed on such last day.

16 (f) No claim for refund based on the taxpayer's taking a
17 credit for estimated tax payments as provided by Section 601
18 (b) (2) or for any amount paid by a taxpayer pursuant to
19 Section 602(a) or for any amount of credit for tax withheld
20 pursuant to Section 701 may be filed more than 3 years after
21 the due date, as provided by Section 505, of the return which
22 was required to be filed relative to the taxable year for
23 which the payments were made or for which the tax was
24 withheld. The changes in this subsection (f) made by this
25 amendatory Act of 1987 shall apply to all taxable years
26 ending on or after December 31, 1969.

27 (g) Special Period of Limitation with Respect to Net
28 Loss Carrybacks. If the claim for refund relates to an
29 overpayment attributable to a net loss carryback as provided
30 by Section 207, in lieu of the 3 year period of limitation
31 prescribed in subsection (a), the period shall be that period
32 which ends 3 years after the time prescribed by law for
33 filing the return (including extensions thereof) for the
34 taxable year of the net loss which results in such carryback

1 (or, on and after August 13, 1999 ~~the-effective-date-of-this~~
2 ~~amendatory-Act-of-the-91st-General-Assembly~~, with respect to
3 a change in the carryover of an Article 2 credit to a taxable
4 year resulting from the carryback of a Section 207 loss
5 incurred in a taxable year beginning on or after January 1,
6 2000, the period shall be that period that ends 3 years after
7 the time prescribed by law for filing the return (including
8 extensions of that time) for that subsequent taxable year),
9 or the period prescribed in subsection (c) in respect of such
10 taxable year, whichever expires later. In the case of such a
11 claim, the amount of the refund may exceed the portion of the
12 tax paid within the period provided in subsection (d) to the
13 extent of the amount of the overpayment attributable to such
14 carryback. On and after August 13, 1999 ~~the-effective-date-of~~
15 ~~this--amendatory--Act--of--the--91st-General-Assembly~~, if the
16 claim for refund relates to an overpayment attributable to
17 the carryover of an Article 2 credit, or of a Section 207
18 loss, earned, incurred (in a taxable year beginning on or
19 after January 1, 2000), or used in a year for which a
20 notification of a change affecting federal taxable income
21 must be filed under subsection (b) of Section 506, the claim
22 may be filed within the period prescribed in paragraph (1) of
23 subsection (b) in respect of the year for which the
24 notification is required. In the case of such a claim, the
25 amount of the refund may exceed the portion of the tax paid
26 within the period provided in subsection (d) to the extent of
27 the amount of the overpayment attributable to the
28 recomputation of the taxpayer's Article 2 credits, or Section
29 207 loss, earned, incurred, or used in the taxable year for
30 which the notification is given.

31 (h) Claim for refund based on net loss. On and after
32 the effective date of this amendatory Act of the 92nd General
33 Assembly, no claim for refund shall be allowed to the extent
34 the refund is the result of an amount of net loss incurred

1 under Section 207 of this Act that was not reported to the
2 Department within 3 years of the due date (including
3 extensions) of the return for the loss year on either the
4 original return filed by the taxpayer or on amended return.

5 (Source: P.A. 90-491, eff. 1-1-98; 91-541, eff. 8-13-99.)

6 (35 ILCS 5/1003) (from Ch. 120, par. 10-1003)

7 Sec. 1003. Interest on Deficiencies.

8 (a) In general. If any amount of tax imposed by this
9 Act, including tax withheld by an employer, is not paid on or
10 before the date prescribed for payment of such tax
11 (determined without regard to any extensions), interest on
12 such amount shall be paid in the manner and at the rate
13 prescribed in Section 3-2 of the Uniform Penalty and Interest
14 Act for the period from such date to the date of payment of
15 such amount, except that if a waiver of restrictions under
16 Section 907 on the assessment and collection of such amount
17 has been filed, and if notice and demand by the Director for
18 the payment of such amount is not made within 60 days (30
19 days, in the case of a waiver filed prior to January 1, 2002)
20 after the filing of such waiver, interest shall not be
21 imposed on such amount for the period beginning immediately
22 after such 60th day (30th day, in the case of a waiver filed
23 prior to January 1, 2002) and ending with the date of notice
24 and demand.

25 (b) Interest treated as tax. Interest prescribed under
26 this Section on any tax, including tax withheld by an
27 employer, or on any penalty, shall be deemed assessed upon
28 the assessment of the tax or penalties to which such interest
29 relates and shall be collected and paid on notice and demand
30 in the same manner as tax. Any reference in this Act to the
31 tax imposed by this Act shall be deemed also to refer to
32 interest imposed by this Section on such tax.

33 (c) Exception as to estimated tax. This Section shall

1 not apply to any failure to pay estimated tax required by
2 Section 803.
3 (Source: P.A. 87-205.)

1		INDEX
2		Statutes amended in order of appearance
3	35 ILCS 5/201	from Ch. 120, par. 2-201
4	35 ILCS 5/202	from Ch. 120, par. 2-202
5	35 ILCS 5/203	from Ch. 120, par. 2-203
6	35 ILCS 5/209	
7	35 ILCS 5/502	from Ch. 120, par. 5-502
8	35 ILCS 5/506	from Ch. 120, par. 5-506
9	35 ILCS 5/905	from Ch. 120, par. 9-905
10	35 ILCS 5/911	from Ch. 120, par. 9-911
11	35 ILCS 5/1003	from Ch. 120, par. 10-1003